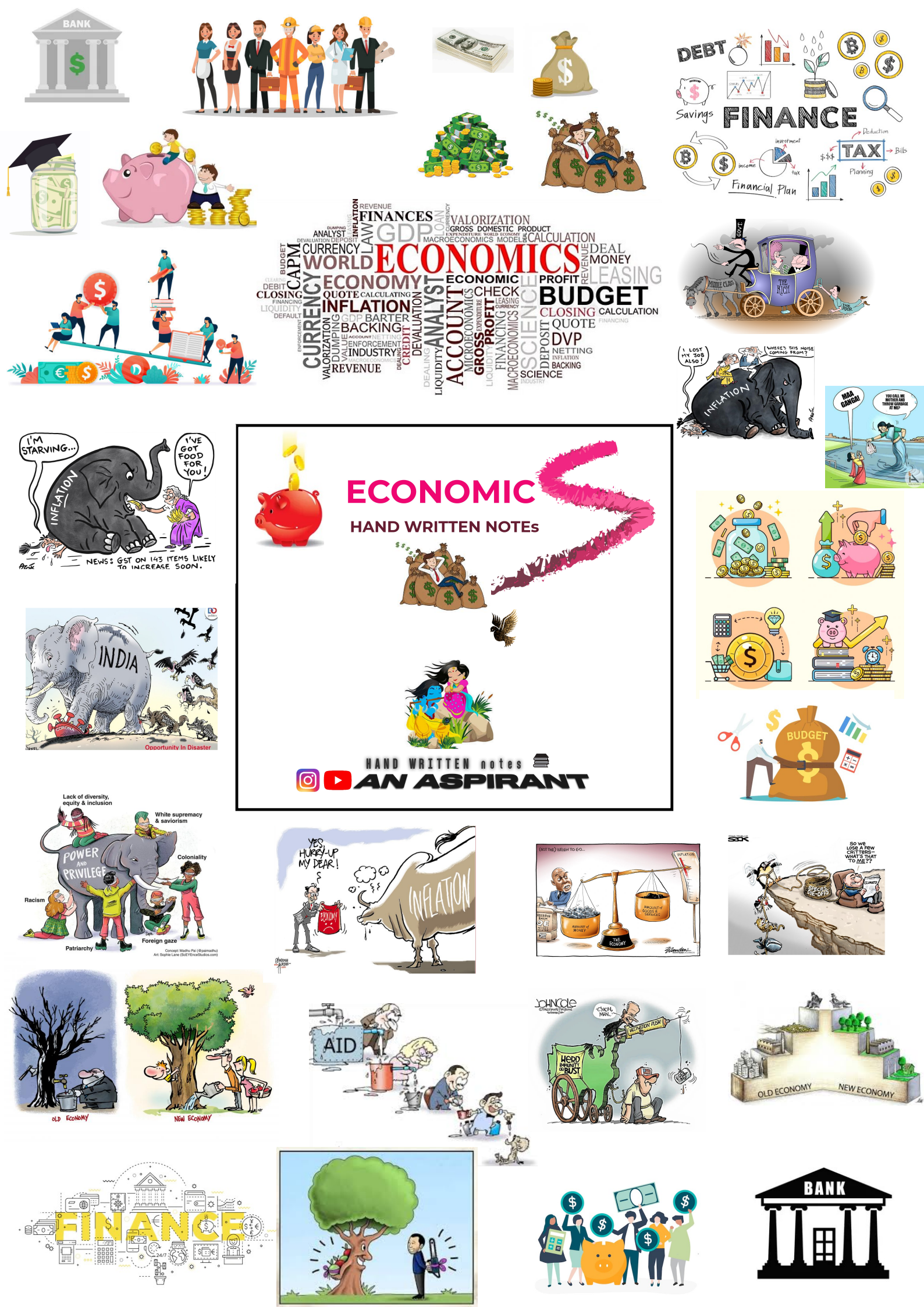
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DEBT
Savings
FINANCE
Financial Plan
TAX
Bills
Planning
Deduction
investment
income
tax
ECONOMICS
FINANCES
GDP
VALORIZATION
GROSS DOMESTIC PRODUCT
CALCULATION
CURRENCY
WORLD
DEAL
MONEY
LEASING
ECONOMY
ECONOMIC
PROFIT
BUDGET
CLOSING
QUOTE
INFLATION
BARTER
BACKING
ENFORCEMENT
INDUSTRY
REVENUE
CHECK
CLOSING
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DVP
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BACKING
SCIENCE
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WHERE'S THIS NOISE COMING FROM?
INFLATION
MAA GANGA!
YOU CALL ME MOTHER AND THROW GARBAGE AT ME?
I'M STARVING...
I'VE GOT FOOD FOR YOU!
INFLATION
NEWS: GST ON 143 ITEMS LIKELY TO INCREASE SOON.
ECONOMIC
HAND WRITTEN NOTEs
HAND WRITTEN notes
AN ASPIRANT
INDIA
CORONA
Opportunity In Disaster
BUDGET
Lack of diversity, equity & inclusion
White supremacy & saviorism
POWER AND PRIVILEGE
Coloniality
Racism
Foreign gaze
Patriarchy
Concept: Madhu Pai (@paimadhu)
Art: Sophie Lane (SciEYEnceStudios.com)
YES, HURRY-UP MY DEAR!
ECONOMY
INFLATION
(NOT THE) WEIGH TO GO...
INFLATION
AMOUNT of MONEY
AMOUNT of GOODS & SERVICES
THE ECONOMY
SO WE LOSE A FEW CRITTERS— WHAT'S THAT TO ME??
SPECIES DIE-OFFS
CLIMATE
OLD ECONOMY
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AID
JOHN COLE
C'MON, MAN...
VACCINATION PUSH
HERD IMMUNITY OR BUST
OLD ECONOMY
NEW ECONOMY
FINANCE
BANK

Dear Aspirants

Watch videos to better understand this notes

My YouTube channel name is

An Aspirant !

Your Channel

Dream is not that which you see while sleeping
It is something that does not let you sleep.

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ECONOMICS

ECONOMICS?

* Study of how societies use scarce resources to produce valuable commodities & distribute them among diff. people.
* How goods & services are produced, distributed & consumed.

Lionel Robbins → 1935 → "The science of scarcity"
(British Economist)

Adam Smith ← The Father of Economics.

Humanities

(study of human activities)

- Pol. Science (political activities)
- Sociology (social activities)
- Pub. Admin. (admin. activities)
- Economics (economic activities)

ECONOMIC ACTIVITIES → P-L, Wage, Employment,

FOCUS

The Betterment of human life on Earth → Improving living conditions of humans

Adam Smith → work → The Wealth of Nations (1776)

Challenges of the Economies:

Main challenge → To fulfil the needs of its population.

Goods & services → for their survival & well-being

Problem → One demand → fulfill
New Demand → Arise → Higher order

ECONOMY

Represents production, distribution, trade, consumption of goods & services in A GIVEN GEOGRAPHICAL AREA.

I. ECONOMY

The study of Economy helps us to find out the financial condition of the Economy. → Developed C. / Developing C.

G.E.S. → free

- State Model (gov.)
- Market Model

Demand & Supply → Basics → Price → set

Distribution N/W Models

State Market Mix

Some → free
Some → pay

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BRANCHES OF ECONOMICS

MICRO ECONOMICS

- Examines the behaviour of basic elements in the economy.
- i.e. Study of individual & firm decisions related to production, consumption etc.
- e.g. Demand & supply, product pricing, consumption level etc.
- Also deals with the interaction of markets.
- Applied to Internal Issues
- Analysis of economy at a smaller level.

Micro → Small, Minute Meaning

MACRO ECONOMICS

- Studies the economy as a whole.
  i.e. How the entire economy behaves.
- e.g. Inflation, economic growth rate, national income, GDP, unemployment, poverty, Balance of payments.
- Applied to environmental & external issues.
- Analysis of economy at a greater level.

Macro → Large, Thick Meaning

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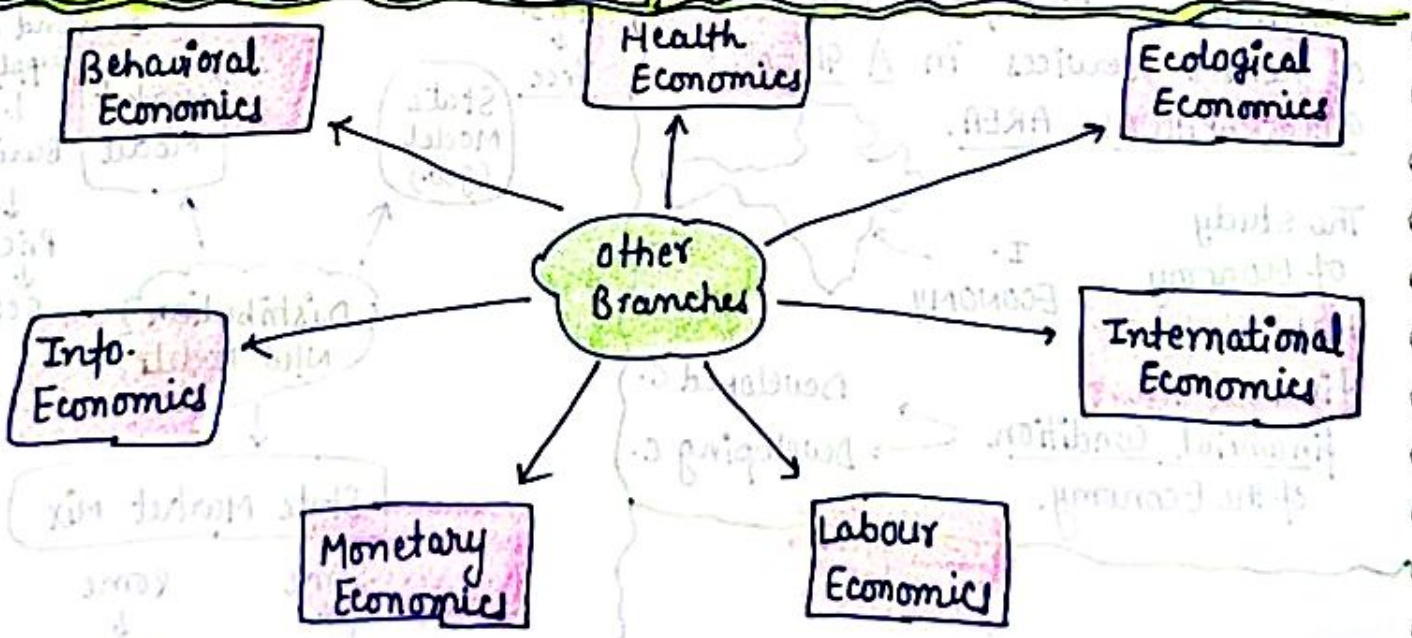
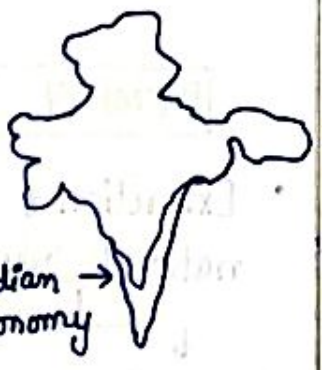


TYPES OF ECONOMY

ECONOMY: Represents production, distribution, trade and consumption of goods & services in A GIVEN GEOGRAPHICAL AREA.



Indian Economy

The study of economy helps us to find out the FINANCIAL CONDITION OF THE COUNTRY → Developing Countries / Developed Countries + about different working sectors.

ECONOMY

- **OPEN ECONOMY**
  - A Market Economy GENERALLY free from trade barriers.
  - You can trade with anyone present in any part of the world.
  - Economy which deals with other countries.
  - Almost, all the economies in the world follow this open economy system.

  Ways through which connections can be determined:
  1. **Output Market** → Trading with other nations
  2. **Financial Market** → Financial assets purchase.
  3. **Labour Market** → Workers, Manufacturing plants, Immigration Laws

  e.g. IN, USA

- **CLOSED ECONOMY**
  - An Economy in which no activity is conducted with outside economies.
  - A self sufficient Economy.
  - Economy where NO IMPORTS are brought in and NO EXPORTS are sent out.
  - **GOAL** → To provide consumers everything they need from within the economic borders.
  - In practice, NO ECONOMY IS COMPLETELY CLOSED.

  BRAZIL → World's Most closed Economy.
  ∵ Imports the fewest goods in the world.

  Benefit → Protection of domestic Interest.

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* SECTORS OF ECONOMY

PRIMARY SECTOR

- Extraction & Harvesting of natural resources.

↓

Renewable resources (fish, wind)	Non-Renewable resources (oil, mining for coal)

DEVELOPING ECONOMIES → AGRICULTURE e.g. India

However, improved tech. & growing nature of national economies → Decline in this sector.

- Primary Activity of any economy
- People engaged here - RED COLLAR WORKERS

SECONDARY SECTOR

- Also called Manufacturing Sector.
- Makes & distributes finished goods.

1. Manufacturing → i.e. Producing cars from diff. Metals.
2. Construction → Building factories, homes etc.
3. Utilities → Providing goods like electricity, gas, telephones to households.

RAW MATERIAL ~~~~ FINISHED GOODS

PEOPLE ENGAGED – Blue Collar Workers

TERTIARY SECTOR

- Also called Services Sector.
- Intangible Sector that offers services to consumers & businesses.
- e.g. Transport, Banking, Insurance, Real Estate.
- Helps in development of the primary & secondary sectors.
- Do not produce goods but they are an aid/ support for the production.
- People engaged here → WHITE COLLAR WORKERS
- Provides value addition to the product.

QUATERNARY ACTIVITIES:

- Specialised tertiary activities in "knowledge Sector"
- Intellectual Aspect of the economy.

QUINARY ACTIVITIES:

- Part of economy where top level decisions are made.

⇒ GOLD COLLAR Professions.

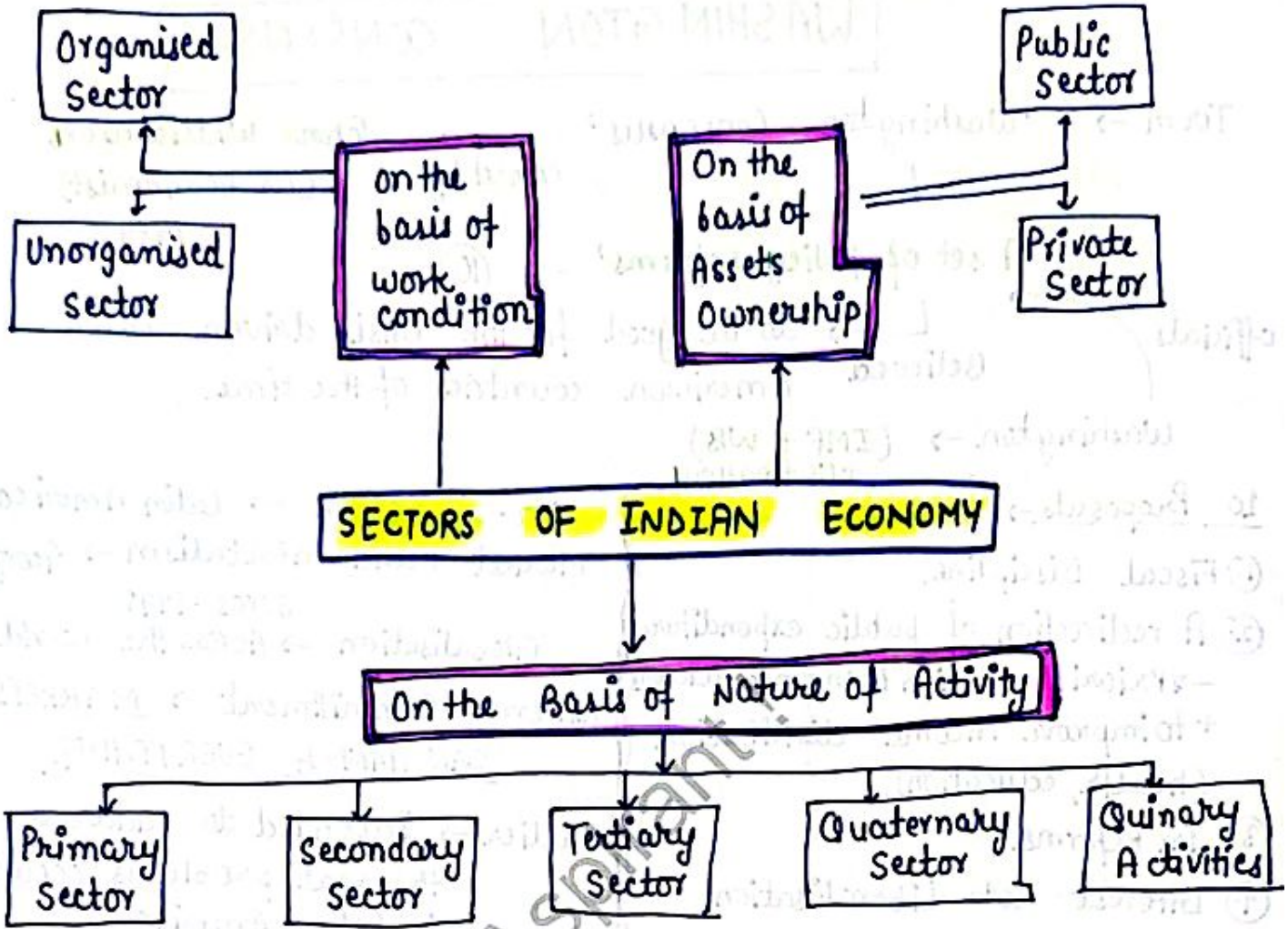
PINK COLLAR JOBS →

Women's work → Employed person

↓

Nurses, Baby sitters etc.

All Smart!



ORGANISED SECTOR : Comprises certain companies or workplaces in which the employment term is regular and employees are also guaranteed employmen

UNORGANISED SECTOR : A sector which is generally not governed by the rules and regulations that are laid by Go

- Low paid jobs
- No paid leaves
- No PF.

PUBLIC SECTOR

- Owned, controlled and managed by govt.

PRIVATE SECTOR

- Owned, controlled and managed by individuals or business entities.

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WASHINGTON CONSENSUS

Term → 'Washington Consensus' → coined by John Williamson (US Economist) 1989

↓

'A set of policy reforms' → (10)

officials → Believed → to be good for the Crisis driven Latin American countries of the time.

Washington → (IMF + WB) + US treasury.

10 Proposals →

1. Fiscal Discipline.
2. A redirection of public expenditure → Priority → High Economic returns + to improve income distribution (health, education).
3. Tax Reforms.
4. Interest Rate Liberalisation.
5. A Competitive Exchange Rate
6. Trade Liberalisation
7. Liberalisation of FDI Inflows
8. Privatisation
9. Deregulation (abolishing barriers to entry & exit)
10. Secure Property Rights

Neo-Liberalism → Latin America

Market Fundamentalism → George Soros - 1998

Globalisation → Across the world.

Extreme Commitment → MARKETS CAN HANDLE EVERYTHING.

Earlier → intended to address the real problems occuring in Latin America

↓

later applied to all the situations causing misery

↓

Developing Countries

⇓

Gave birth to LPG reforms (origin)

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NATURE OF INDIAN ECONOMY

MIXED ECONOMY

- An Economic System where both private & public sector co-exists.
- Indian Economy → Mixed Economy
  ↑ Term coined by J M Keynes
- ME → Middle path b/w capitalist & socialist economic systems.
  e.g. → USA, UK, Sweden, IN
- Market forces determine pricing, demand, supply and other factors — the govt. maintains control to avoid monopolization & discrimination.

DEVELOPING ECONOMY

- Have following features:
  (a.) Low per capita income
  (b.) Overpopulation
  (c.) Max. Population BPL
  (d.) Agro Based economy
  (e.) Poor infrastructure
  (f.) Inferior growth rates
  (g.) An Imbalanced economy
  (h.) Unequal distribution of wealth.
  e.g. Bhutan, BG, Cambodia etc.
- India is also a developing country.

AGRARIAN ECONOMY

- Type of Economy that relies primarily on agricultural industry i.e. Major form of production → Land
- Domestication of animals
- Other related activities → Pottery, Weaving, etc.
- Benefits:
  ① Tackling climate change.
  ② Creating Jobs
  ③ Reducing Hunger
  ④ Increasing food security
- e.g. India

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THE IDEA OF NATIONAL INCOME

Income → Most Frequently used word in Economics

Income Level → Most commonly used tool to determine the WELL-BEING & HAPPINESS of nations & its citizens.
↳ Neglecting the exceptions.

Income → 'Focal Point' of the dev. / human dev.

Income → Single Person → Family → Nation → Can be Measured.
↓
Sophisticated Process.
↓
'National Income Accounting'
↓
4 ways → GDP, NDP, GNP, NNP.

GDP → Gross Domestic Product

The value of all the final goods & services produced within the boundary of nation during 1 Y. Period.
↳ 1st April to 31st March.

Total → GROSS DOMESTIC PRODUCT ← 'Goods' & 'services' together.

All the economic activities done within the boundary of a nation.

FINAL
↳ The stage of a product after which there is no known chance of value addition in it.

Different Uses → ① Per Annum Percentage Change in it is the 'Growth Rate' of the economy.

100 - 2012
107 - 2013
7 A.
7%

107 - GDP
7 ↑

② 'Quantitative' concept. (Amount of Production)

③ Used by IMF / WB in the comparative analyses of its member nations.

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NDP

[Net Domestic Product]

- GDP calculated after adjusting the weight of the value of 'depreciation'. Net form of GDP.

NDP = GDP - Wear & tear

↑ Total value of this that happened in Assets while the Goods & Services are being produced.

Every Asset go for Depreciation in the process of their use. [Except Humans.]

- The Govt. of Economies decide & announce the rates by which assets depreciate.

(India → Ministry of Commerce & Industry.

e.g. Residential House → 1%

An Electric Fan → 10%.

- If the value of domestic currency falls in comparison to a foreign currency, it is called the situation of 'depreciation' in the domestic currency.

NDP = GDP - Depreciation

∴ NDP of an economy has to be always lower than its GDP.

Humans → Achievement → 'Ball-Bearing'
'Lubricants'

Can minimise the levels of ← use depreciation.

Not used to compare the economies b/c diff. countries have diff. rates of depreciation.

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GNP

[Gross National Product]

- Means GDP of a country added with its 'income from abroad'
- Trans Boundary Economic Activities
  - ↳ Consider.

Income From Abroad:

① **Private Remittances:** Net outcome of the money which inflows and outflows.

I. ⟷ F. India → Gainer
F. ⟷ I.

TODAY INDIA IS THE HIGHEST RECIPIENT OF PRIVATE REMITTANCES IN THE WORLD.

② **Interest on External Loans:**

Net outcome of the balance of inflows & outflows.
Money Lend out
Money Borrowed.

In India's case → -ve → ∵
India → 'Net Borrower'

③ **External Grants:**

Developmental & humanitarian grants. [offers, Receives]

Ultimately, the balance of all the 3 segments → +ve / -ve

India → -ve [Foreign Loans]

GNP = GDP + Income from Abroad

But in case of India, it becomes

GNP = GDP − Income from Abroad

That means India's GNP is always lower than its GDP.

Uses

① IMF → Ranking → Acc-to NI → use → GNP

② Indicates 'Quantitative' as well as 'Qualitative' aspects of the economy.

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NNP

[Net National Product]

"GNP after deducting the loss due to depreciation."

NNP = GNP - Depreciation

OR

NNP = GDP + Income from Abroad - Depreciation

[∵ GNP = GDP + Income from Abroad].

Diff. Uses :

1. This is the National Income (NI) of the Economy.
2. Purest form of the income of a nation.
3. $\frac{\text{NNP}}{\text{Total Population}}$ = Per Capita Income (PCI) of the nation.

i.e. 'Income per head per year'.

Higher the rates of depreciation lower the PCI of the nation.

↑

Countries are free to choose it

↑

But later it affects the NI of the nations.

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NATIONAL INCOME ACCOUNTING

GDP: Gross Domestic Product.

- Value of all the final goods & services produced within the boundary of a nation during 1Y period.
  - 31st March – 1st April

NDP: Net Domestic Product

NDP = GDP – Depreciation

Depreciation: Total wear & tear occured in assets while the goods & services are being produced.

India → Ministry of Commerce & Industry.

Minimise → By using Lubricants

GNP: Gross National Product

GNP = GDP + Income from Abroad

Private Remittances,
External Grants,

NNP: Net National Product

NNP = GNP – Depreciation

∴ NNP = GDP + Income from Abroad – Depreciation

- NI of the Economy.
- Purest form of income of the nation.
- $\frac{\text{NNP}}{\text{Total Population}}$ = Per Capita Income of the Nation

  i.e. 'Income per head per year'.

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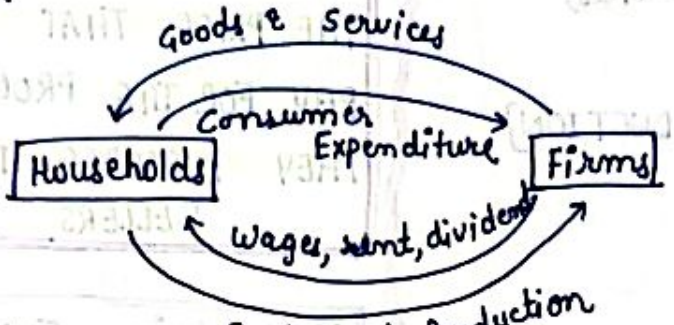
METHODS OF CALCULATING NATIONAL INCOME

What goes around comes around. ← **Circular Flow of Income** → How money moves around in the economy?



METHODS OF CALCULATING NATIONAL INCOME

imp. – why? ← Because that's how we assess an economy's growth rate.

INCOME METHOD

Production Prespective

- Production of Goods & Services → Use of land, labour etc.
- Income is generated by – rent, salaries, profits etc.

National Income = Rent + Wages + Interest + profit + Mixed Income

↑ Self Employed Professionals

EXPENDITURE METHOD

Expenditure

All the purchases made by residents, govt. or business enterprises.

National Income = $C + G_I + I + NX$

C → Purchase of GfS by residents.

G_I → Govt. Exp. on GfS

I → Business Enterprises Exp. on Capital Goods & Stocks

NX → Net Exports

Excludes → Purchase of shares & bond + 2nd Hand

VALUE ADDED METHOD

Value added to a product at each stage of production

↓

NVA_{FC}

↓

Divide → Economy into various industries e.g. Agriculture, fishing.

$NVA_{FC1} + NVA_{FC2} + \cdots = NDP_{FC}$

$NI = NDP_{FC}$ + Net Factor Income from Abroad

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FACTOR COST

Production (Goods & Services)
↳ No. of inputs
[FACTORS OF PRODUCTION]
↓
Land
Labour
Capital
Entrepreneurship

Producers → Expenditure → factors
↓
cost
↓
Added into the price of product

THE FACTOR COST REFERS TO COST OF FACTORS OF PRODUCTION THAT IS INCURRED BY A FIRM WHEN PRODUCING GOODS & SERVICES

Examples: Cost of using Machines,
Purchasing Machinery
Paying salaries
PROFIT MARGINS

DOES NOT INCLUDE: Taxes that are paid to the govt. since taxes are not directly involved in the production process.

SUBSIDIES → Included in FACTOR COST
as subsidies are direct inputs to Production

MARKET PRICE

THE MARKET PRICE IS THE PRICE THAT CONSUMERS PAY FOR THE PRODUCT WHEN THEY PURCHASE IT FROM SELLERS

Market Price = Factor cost + Taxes charged by govt. - Subsidies provided

Taxes → Add → Because they increase the price.

Subsidies → Reduce
Because they are already included in Factor cost.

charged
↓
Cost of Production | Demand for the product | Prices charged by Competitors
↑ ↑ ↑
Changes
↓
Can affect the market price of goods & services.

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CONSTANT PRICES

THE EFFECT OF INFLATION IS REMOVED TO CALCULATE THE VALUE OF GOODS AND SERVICES.

e.g. Goods → Rs. 100 → Jan. 2018
Rs. 150 → Jan. 2019

Assume, Inflation → 10%

So, actual value of Goods at constant price in 2019 with 2018 as base year would be $\frac{150}{(100+10)} \times 100$

$\frac{150}{110} \times 100 = Rs.\ 136.40$

CURRENT PRICES

THE EFFECT OF INFLATION IS INCLUDED.

e.g.
In this case,
The value of goods at current prices would be Rs. 150 only.

* INDIA CALCULATES THE NATIONAL INCOME AT CONSTANT PRICES.

BASE YEAR → FY 2011-2012

∴ GROWTH RATE = Growth in GDP at constant Market Cost Prices with Base Year as FY 2011-2012

Certain Developed Nations → Calculate their national income at current Prices to reduce the complexities involved in calculations based on constant prices.

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* CONCEPT OF BASE YEAR IN PRICE

Base Year → Reference Year → From which onwards the inflation is considered zero.

Current Prices

INFLATION is included.

Year X →

Price of good → Rs. 100

Annual Inflation → 10%.

∴ Price of Good ↓

Year X+1 → (100+10) 110% of 100

= Rs. 110

Year X+2 → Price of Good

= 120% of 110 (110+10)

= 121 Rs.

Year X+3 → Price of Good =

(121+10)% of 121

= Rs. 133.10

Constant Prices

INFLATION is REMOVED.

Year X+3

price of good at constant value with Base Year X+2

= Rs. 121

" X+1 = Rs. 110

" X = Rs. 100

Year X+2 2002

price of good at constant value with Base Year X+1 2001

= Rs. 110

" X = Rs. 100

The Central Statics Office (CSO) → Jan 2015 → Revised the Base Year from 2004-05 to 2011-12.

↑

On the recommendation of NSC [National Statistical Comm.]

↓

Every 5 year → Revise

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ECONOMIC GROWTH & ECONOMIC DEVELOPMENT

PROGRESS : Betterment or Improvement in anything.
- ↳ Positive Movement in the life of people.
- ↳ General term.

ECONOMICS → More specific terms.

ECONOMIC GROWTH

AN INCREASE IN ECONOMIC VARIABLES OVER A PERIOD OF TIME.

e.g. ① Food Production → Decade → Growth → Tonnes

② The growth of road n/w → km/miles

③ Per capita Income → Growth → Monetary terms.

∴ ECONOMIC GROWTH IS A QUANTITATIVE PROGRESS.

ECONOMIC DEVELOPMENT

INDICATES AVAILABILITY OF MANY VARIABLES:

① Reach of Healthcare Facilities.

② The level of Education

③ The level of Nutrition.

④ Other variables on which quality of life depends.

ECONOMIC DEVELOPMENT IS QUANTITATIVE AS WELL AS QUALITATIVE PROGRESS.

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HUMAN DEVELOPMENT INDEX (HDI)

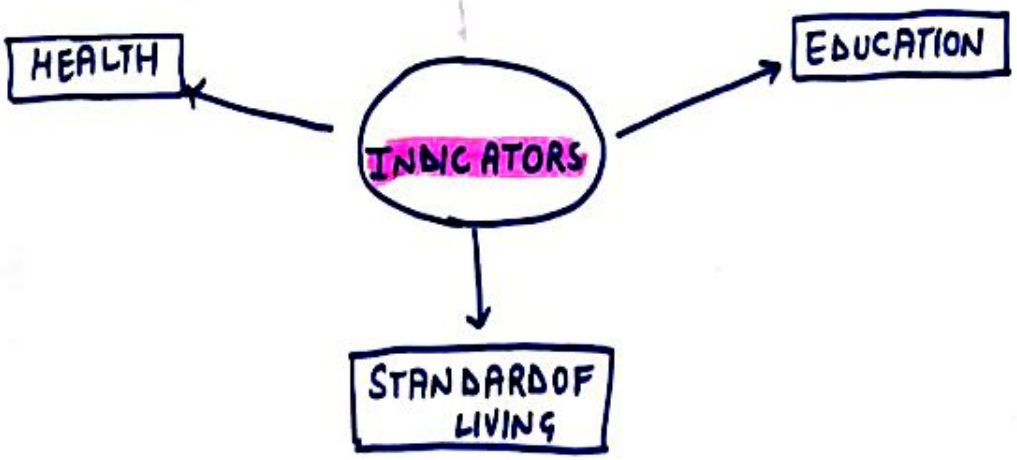
- Single Index Measure.
- Aims to record the three key dimensions of human development.

- Access to Knowledge → EDUCATION
- A decent standard of living → STANDARD OF LIVING
- Long & Healthy Life → HEALTH

- Measure → How development has improved human life.
  - ↳ OR → Developmental level of economies.

- First HDR → published by UNDP. → 1990 (Human Dev. Report)
  - ↓ Mention HDI → 1st attempt to measure the level of development of economies.

First team which developed HDI was led by -
MAHBUB - UL-HAQ
INGE KAUL



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HEALTH

This component is measured by Life Expectancy.

20 y. — 83.57 y.

if → LE → 55 y.
then value of component would be 0.55

EDUCATION

Since 2010, two sub-indicators →

1. Mean of years of schooling.
2. Expected years of schooling.

STANDARD OF LIVING

This component is measured by GNI i.e. Gross National Income.

The scores of these three indicators → aggregated into a Composite mean using **geometric mean.**

- **HIGH** Human Dev. Countries → 0.8000 - 1.000
- **MEDIUM** Human Dev. Countries → 0.500 - 0.799
- **LOW** Human Dev. Countries → 0.000 - 0.499

→ 'n'

Development?

- Happy
- Peace of Mind
- General well being
- A Feeling of being in good state.

HDI 2022 → Total 191 countries.
India → 132 / 191 → [0.633] → Medium Human Dev. Category.
Top → Switzerland (0.962)

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GROSS NATIONAL HAPPINESS

BHUTAN → WORLD

- The Himalayan country of Bhutan aims to measure progress in terms of GNH rather than GDP.

4 Main Aspects:

- Sustainable & equitable socio-economic dev.
- Env. Conservation
- Preservation & promotion of national culture
- Good Governance

- Bhutanese govt. → above 4 → Measure → 9 domains

[Health, Education, Psychological well being, time-use, good governance, community vitality, cultural diversity, ecological diversity & living standards.]

UN now publishes WHR i.e. WORLD HAPPINESS REPORT

- 4th King → Bhutan → Jigme Singye Wangchuck → 1972
  → declare → "GNH is more important than GDP"

WHR 2022 → published by UN Sustainable Dev. Solutions Network

FINLAND → HAPPIEST COUNTRY

INDIA → 136/146

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FIVE YEAR PLANS

HISTORY

- Idea → Planning → Prominent 1940s - 50s
- Various industrialists came together in 1944 & drafted a joint proposal for setting up a planned economy in India.

↓

BOMBAY PLAN

- First Person to implement 5 Y. Plan in Soviet Union → (1928)

Joseph Stalin

- India → Launch → a series of 5 Y Plans → To attain dev.

CONCEPT

GOVT. OF INDIA prepares a document with all its income & expenditure for five years.

Budget

[center / state govt.]

↓

NonPlan Budget	Plan Budget
[Spent on routine items yearly].	[Spent on 5 Y basis as per the priorities fixed by the plan]
[1951 - 2017]	

Formulated, implemented & regulated by - a body called - PLANNING COMMISSION

↓

Replaced by a think tank called NITI AAYOG. (2015).

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FIRST FIVE YEAR PLAN : (1951-56)

- From here, began the economic dev. in India.
- Presented by the First PM- JL Nehru
- KN Raj- Economist
  He argued that India should 'hasten slowly' for the first two decades.
- Mainly addressed- Agrarian Sector & Investment in dams & irrigation.
  e.g. Huge Allocations were made for Bhakhra Nangal Dam.
- Based on HARROD DOMAR MODEL.
- Emphasized on increasing savings.
- By the end of 1956, 5 IIT's were established.
  1st → IIT Kharagpur
- Target Growth → 2.1%
- Achieved Growth → 3.6%

] Successful

- Community Dev. Program → 1952
- Main 2 Objectives: ① To improve the economic conditions which was worse due to 3 reasons:
  - Refugee
  - Severe Food Shortage
  - Mounting Inflation

  ② All round balanced dev. to ensure increase in National Income

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SECOND FIVE YEAR PLAN : (1956-61):

- Stressed over rapid industrialisation.
- Drafted & planned under the leadership of PC Mahalanobis
- Govt. imposed tariffs on imports to protect domestic industries.
- Target Growth - 4.5%] - Moderately successful..
  Actual Growth - 4.27%]
- Emphasized mainly on Economic Stability.
- Agriculture was given less preference.
- Industrial Policy 1956 → under which heavy industries were established.
  Hence, foreign loans ↑ due to the deficiency of funds.
  Agricultural Economy → Industrial Economy (started shifting)
- Atomic Energy Comm. - established. to
- TIFR set up.
  └ Tata Institute of Fund Research. - Mumbai
  Under Dept. of Atomic Energy.

THIRD FIVE YEAR PLAN: (1961-66):

- Focus → Agriculture.
  & Improvement in the production of wheat.
- Emphasized on → Being Self-Reliant
- India was depended on foreign Funds. (IMF) mainly
- Complete Failure → Indo-China War (1962)
  Indo-Pak war (1965)
- FCI - 1965 - N. Delhi
- UTI - Union Trust of India - 1964
- IDBI - 1964
- APC - Agricultural Prices Comm.
- Target Growth - 5.6%]
- Achieved Growth - 2.72%]

Arjun Arjiram

3 ANNUAL PLANS

Reasons: Indo-Pak war, Indo-China war] caused the deficiency of funds.

⇓

PLAN HOLIDAYS

(1966-67) (1167-68) (1968-69)

Main Focus →
- Agriculture
- Distribution of HYVS (High Yielding Variety Seeds)
- Fertilisers used.
- Irrigation

↓

Result → Green Revolution (1965-66)

⇓

Father → M.S. Swaminathan

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FOURTH FIVE YEAR PLAN (1969-74):

- Introduced under the Prime Ministership of INDIRA GANDHI
- Attempt to correct the previous failures.
- Based on Gadgil Formula.
- Emphasis → Growth with Stability.
  PROGRESS TOWARDS SELF-RELIANCE.
- Green Revolution boosted agriculture.
- The Govt. nationalised 14 Major Indian Banks.
- Target Growth → 5.6%
  Actual Growth → 3.3%
  ] Failure
  ∵ 1st 2 years remarked good production
  But in last 3 years – due to least monsoon, less production.
- Aim → To establish Socialist Society. &
- 1969 → 14 Banks were Nationalised.
- INDO PAK WAR (1971)
  ↳ E. Pak → Now BG → Situations → worse.
- Failure due to run way Inflation. (Refugees from BG)
- Special Emphasis → Improving the conditions of under privileged & weaker sections.
- 1st Nuclear Test by India → 18th May 1974
  ↑ Pokhran, GJ
  "SMILING BUDDHA" ← Name ←

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5th FIVE YEAR PLAN (1974-78)

- **Focus** → On Increasing Employment & Poverty Alleviation (Garibi Hatao)
- Indian NH System was introduced.
- The Min. Needs Programme → introduced → 1974
  - (MNP) → Prepared by D.P. Dhar
  - To provide basic minimum needs.
    - ↳ Primary edu.
    - ↳ Drinking water
    - ↳ Basic Medical facilities.
- Target Growth → 4.4%
  Actual Growth → 4.8%
  ] Successful
- Original Approach - C. Subramaniam
- 20 point program - started.
  - ↳ 1975
- 1978 → Newly elected Morarji Desai Govt. rejected this plan.

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ROLLING PLAN (1978-80)

- Called as PERIOD OF INSTABILITY
- Rolling Plan → in which Effectiveness of the plan is evaluated annually.
  - ↓
  - Annual Plans
- Gunnar Myrdal Idea (1978-79) (1979-80)
- By Janta Party.
- 1980 - Congress came in Power & rejected it.
- IRDP - 1980 - Introduce

6th five Year Plan

(1980-1985)

- NABARD - 12 July 1982 - Established.
  - On the recommendation of Shivraman Committee.
- Family Planning → was given Importance.
- Comprehensive Rural Dev. started.
- Target Growth → 5.2%
  Achieved → 5.4%
- Seen as the end of Nehruvian Socialism.
- Underlined the beginning of economic liberation by eliminating price controls.
- Some imp. objectives:
  - Speedy Industrialization.
  - Rise in the Empyoment level.
  - Poverty Reduction.
  - Achieving technological self-reliance.

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7th 5 Year Plan
(1985-1990)

- Led by the Prime Ministership of Rajiv Gandhi.
- Stress → On Improving industrial productivity levels through the use of tech.
  - → Increasing the production of food grains.
  - → Generating Employment.
  - → Providing Social Justice.
- FOCUS → Self-sustained Growth by 2000.
- Successful → Target Growth → 5.0%
  Actual Growth → 6.01%
- Anti-poverty programmes.
- Use of Modern Tech.

"FOOD, WORK & PRODUCTIVITY" ← Focus

- The Private sector was given priority over the public sector for the first time.

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ANNUAL PLANS (1990-92)

- (1990-1991)
- (1991-1992)
- Economic Instability ← Reason
- LPG Reforms. – To Grapple with the problem of economy.
  - L → Liberalisation
  - P → Privatisation
  - G → Globalisation

  under the PM Narasimha Rao.

Eighth 5 Year Plans
(1992-1997)

- Promoted the Modernisation of Industries.
- India became a member of WTO on 1 Jan 1995.
- Focus → Involvement of Panchayats and Nagar Palikas.
- Target Growth → 5.6% } successful.
  Achieved Growth → 6.8% }
- Goals → To control population growth
  Reduce Poverty
  Generate Employment
  Manage Tourism
  Focus on dev. of Infrastructure.
- PM Rojgar Yojna (1993)

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9th FIVE YEAR PLAN
(1997-2002)

- (1947-1997)
  ↳ Marked India's 50 years since independence.
- PM - Atal Bihari Vajpayee
- Focus → To balance the relationship between rapid growth & the quality of life.
- Objectives →
  - Developing Self-Reliance
  - Primary Edu. to all children in the country.
  - Empowering socially empowered classes.
- Target Growth → 7.1%
  Achieved Growth → 6.8% } Failure.
- To achieve COMPLETE ELIMINATION OF POVERTY.

10th FIVE YEAR PLAN
(2002-07)

- Features → To promote inclusive Growth & equitable dev.
- Focus → Reducing the poverty by half.
  Creating Employment for 80 Million People.
  To reduce regional Inequalities.
  Reducing Gender Gaps in field of Education.
- Target Growth → 8.1%
  Achieved Growth → 7.6%

AIR Aspirant

11th FIVE YEAR PLAN

(2007 - 2012)

- Main Theme → Rapid & More Inclusive Growth
- Aimed at Environmental Sustainability
- C. Ranga Rajan prepared this plan.
- Focus → To provide clean drinking water to all by 2009.
- Aim → To increase enrollment in higher education.
  Focussed on distant education as well.

  e.g. RTE Act, 2009
  Came into effect → 2010
  Making education free & compulsory for children aged b/w 6-14 years.
- Target Growth → 9%
  Achieved Growth → 8%
  } Failure.

12th FIVE YEAR PLAN

(2012-17)

- Theme → "Faster, More Inclusive and Sustainable Growth"
- Aim → To provide electricity supply in all villages.
  Removing the gender & social gaps in admissions at schools.
  Improve access to higher education.
- Target Growth → 9%
  Achieved → 8%
- To create new opportunities in non-farming sectors.

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FIVE YEAR PLANS
SUMMARY

1. ⇒
- Economic Dev. → Started
- PM → Pt. JLN.
- K.N. Raj → Economist
- HARROD DOMAR Model
- Focus → Agriculture
- Successful.

1951-1956

2. ⇒
- P C MAHALANOBIC Model
- Rapid Industrialisation
- Moderately Successful.

1956-1961

3. ⇒
- Focus → Agriculture & on being self reliant
- Failure
- FCI
- UTI
- IDBI

1961-1966

HOLIDAY PLAN
↓
3 Annual Plans
(1966-67)
(1967-68)
(1968-69)

4. ⇒
- PM → Indira Gandhi
- Gadgil Formula
- Focus → Growth with stability
- Nuclear Test → "Smiling Buddha"
- ✓ 14 Banks Nationalised.
- Failure

1969-1974

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(5) ⇒ • Focus → Poverty Alleviation
• Min. Needs Programme (MNP)
↑ D.P. Dhar
• ↳ C. Subramaniam
• 20 Point Programme
• Successful.
• Morarji Desai Govt. rejected it.

1974-78

ROLLING PLAN
(1978-80)

• Called as Period of Instability.
• Gunar Myrdal idea.
• Janta Party introduced it.
• IRDP-1980
• Congress rejected it.

(6) ⇒ • NABARD
• Economic Liberation
• Family Planning
• Successful
• End of Nehruvian Socialism

(1980-1985)

(7) ⇒ • PM → Rajiv Gandhi
• Theme → "FOOD, WORK & PRODUCTIVITY"
• Successful
• Self sustained Growth by 2000

1985-1990

ANNUAL PLANS
(1990-92)

• Economic Instability.
• LPG Reforms
↑ PM → Narasimha Rao

(8) ⇒ • Modernisation of Industries
• India → Member-WTO-1995
• PM Rojgar Yojna
• Successful
• Involvement of Panchayats & Nagar Pallikas in admin.

1992-1997

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(9) ⇒
- 1997 - 50 years since Independence.
- PM - Atal Bihari Vajpayee
- Aim - To achieve COMPLETE ELIMINATION OF POVERTY
- Failure

1997-2002

(10) ⇒
- To promote Inclusive Growth
- Creating Employment for 80 Million
- Failure

2002-2007

(11) ⇒
- C. Rangrajan prepared this plan.
- Aim → Environmental Sustainability.
- Provide clean drinking water to all by 2009
- Increase Enrollment in higher Education RTE, 2010
- Failure

2007-2012

(12) ⇒
- Theme - "Faster, More Inclusive & Sustainable Growth"
- To provide Electricity supply in all villages.
- Failure.

2012-2017

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ECONOMIC PLANNING

Idea → Planned dev. in India → Popular → 1940s
GoI → Planned Actions → Execute
↳ Benefit → then started covering all the areas of concern.

DEFINITION: Best Definition →
H.D. Dickinson → "The Making of Major Economic Decisions."

National Planning Committee (1938) set up → By the INC → For the FIRST TIME, tried to DEFINE PLANNING IN INDIA.

Nowadays: Realising well defined goals by optimum utilisation of the available resources.

Through Planning → we can control the growth of a nation.

ECONOMIC PLAN
(Set of specific Economic Targets)

- **COMPREHENSIVE PLAN** [sets targets to cover all major aspects of Economy]
- **PARTIAL PLAN** [setting targets for a part of Economy] e.g. Agriculture, Industry.

- PLANNING IS A PROCESS.
- PLANNING MUST HAVE WELL DEFINED GOALS.
- OPTIMUM UTILISATION OF AVAILABLE RESOURCES.

FAMILY PLANNING: Trying to achieve a particular size of family.

FINANCIAL PLANNING: **BUDGETING**
Revenues, Expenditure ← Management.

URBAN PLANNING: The process of providing suitable physical & social infrastructure to the urban areas.

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ORIGIN AND EXPANSION OF PLANNING

Planning is a method of achieving faster economic progress.

REGIONAL PLANNING

(Planning used as a dev. policy at the regional level).

- For the first time ⇒ USA
  - TVA set up → 1916 (Tennessee Valley Authority)
  - To improve the navigability & to provide for the flood control of Tennessee river. → soil conservation
- US experience of regional planning → GREAT SUCCESS → Goals achieve → Role Model → Became an object of Inspiration
  - DVC in India (1948)
  - Volta River Project in Ghana (1966)

NATIONAL PLANNING

[Center level Planning]

- Experiment → RUSSIA (roots → Bolshevik Revolution (1917))
- 1928 → Joseph Stalin
  - He announced its policy of central planning.
  - New Policy → (Agriculture + Industrialisation) initiatives
- 1st 5 Year Plan of Soviet Union → 1928-33
  - ∴ world first time experienced National planning.
- Famous Soviet Slogan → "Great Leap Forward" ⇓ for Industrialisation
- Soviet Planning → The Gosplan.
  - First 5 Y. Plan → focus Heavy Industries
  - India → same concept follow

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OBJECTIVES OF PLANNING:

1. Poverty Alleviation → NREGP
   PMRY - PM Rojgar Yojna.
   IRDP
2. Employment Generation → Tool → To alleviate poverty
   Programs & Schemes → Time to time.
3. Economic Growth → To bring increase in the levels of production.
4. Self-Reliance →
5. Modernisation → Agriculture sector → Modern Methods & Techniques
6. Controlling Economic Inequality:

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TYPES OF PLANNING

Imperative Planning

- The Planning Process followed by the State Economies (i.e. Socialist & Communist)
- Also called DIRECTIVE or TARGET PLANNING.
  - ↳ NO private participation in the Economy.
  - ↳ Only the state plays the economic role.
  - ↳ NO role for the market.
- Decisions are made by CENTRAL PLANNING AUTHORITY.
- CENTRALIZED PLANNING.
- Socialist countries → where each & every aspect of planning is controlled by the state.

Indicative Planning

- The Planning Process followed by the Democratic Economies.
  - ↓
  - Mainly every economy who follow the Indicative planning were MIXED ECONOMIES.
  - + Capitalist Countries
- Attempted FIRST → in FRANCE.
- Decisions → MARKET SYSTEM based.
- Recognizes Consumer's sovereignty + co producer's freedom.
- Private sector is not rigidly controlled.
  Not directed to fulfill the targets.
- Govt. provides all types of facilities to private sector.

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PLANNING COMMISSION

- National Planning Committee → Published its report in 1949
  Need for "Economic & Social Planning"

Requirement → Permanent Expert Body

↓

MARCH 1950 → Planning Commission was set up.

↓ PM → PT. JLN

↓ By a cabinet Resolution.

① EXTRA-CONSTITUTIONAL BODY:

② NON-STATUTORY BODY: Created by an act of Parliament. i.e. Does not have any legal powers.

③ Advisory Body to the GoI. → for the Issues of Economic Dev.

④ 'THINK TANK' on Economic Dev.
Ex-officio Chairman → PM
Ex-officio Members – 6 Cabinet Ministers

⑤ Autonomous Body: Set up by the government for a specific purpose.
Independent in day-to-day functioning.
Main control → Govt.

All the plans made by PC had to be approved by National Dev. Council. (NDC)

Described as the- "economic cabinet of the country as a whole."

FUNCTIONS:
① Balanced utilisation of the country's resources.
② Economic Reforms.
③ To monitor the progress of various central ministers
④ Evaluate the progress.

5 YEAR PLANS

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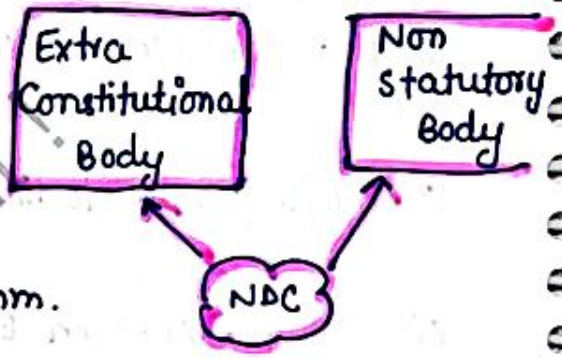
NATIONAL DEVELOPMENT COUNCIL

NDC → Setup → August 6, 1952
By a resolution issued by the Cabinet.

PM → Ex-officio Chairman

Other Members → Union Cabinet Ministers, CM & Finance Min. of all states, Lt. Gov. of UT's Governors.

All the plans made by Planning Commission had to be approved by NDC first



i.e. Not formed by the act of Parliament.

Ex-officio - Secretary of NDC:
Secretary of Planning Comm.

NDC → 1st Meeting → Nov. 8-9, 1952

JL Nehru stated that -
"A forum for intimate co-operation between the State Govt & Central Govt. for all tasks of the National Govt."

'राष्ट्रीय विकास परिषद'

* One of the key organizations of the planning system in India.
- Formed on K. C. Neogi Committee's recommendation.

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CENTRAL PLANNING

Plans formulated by Central Govt. & also financed for its implementation, at National Level.

3 Central Plans

- 5 Year Plans
- Twenty Point Programme
- Member of Parliament Local Area Dev. Scheme

Twenty Point Programme

- Launched in July 1975
- Objective → Improving the quality of life of people especially BPL.
  - ↳ Poverty Alleviation, Employment Generation, Housing, Education, Family welfare, Health
- Reconstructed in 1982 & 1986
  - 'TPP-86' ← 1986
    - ↳ 119 items grouped into 20 points.
  - 'TPP-2006'
- This programme was monitored by Ministry of Statistics & Programme Implementation (MOSPI)
- PM-Indira Gandhi launched it.
  Still operating.

Member of Parliament Local Area Dev. Scheme [MPLADS]

- This Scheme was launched on Dec. 23, 1993.
  Initially Rs. 5 lakh → to each MP
  1994-95 → Rs. 1 crore
  1998-99 → Rs. 2 crore
  2011 → Rs. 5 crore
- MP's recommend → concerned DM → a particular work
- Criticisms →
  Misappropriation of funds.
  Non use of funds.
- 'One MP - One Idea'
  ↳ An annual competition for best innovation in solving local problems.
- संसद निधि योजना
  [2020-22] ← Suspend during Corona Crisis

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NITI AAYOG

National Institution for Transforming India

- Policy think-tank of Government of India that has replaced Planning Commission (Aug. 13, 2014)
- Aim → To involve the states in Economic policy making in India.
- Formation → Jan 1, 2015
- To provide strategic and technical advice to the central & State Govt.
- Slogan → "From Planning to NITI"

MEMBERS

- Chairperson → PM of India.
- Governing Council → CM of all states + Lt. Gov. of all UTs
- Regional Council → • To address specific issues impacting more than one state or region.
  - Specific Tenure
- Experts, Specialists → Nominated by PM.
- Vice-Chairperson → Shri Suman Bery
- Members (2): Full Time
- Secretariat → As deemed necesary.
- Ex-officio Members → Max. (4) → Union CoM.
- CEO → Sh. Parameshwaran Iyer
- Part time Members → Max. (2)

Neither Constitutional, Nor Statutory but an Executive Body.

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The Guiding Principles:

Overall vision of development → Inclusive, Equitable & Sustainable.

Development Idea → "All round, all pervasive, all inclusive, holistic."

ANTYODAYA : • Upliftment of Poor.
• Idea → Pandit Deendayal Upadhyay.
• Poet - "Nothing is more dreadfully painful than poverty"

INCLUSION : To empower vulnerable & marginalised sections +
Redressing inequalities of all kinds → Gender, Region, Religion.

VILLAGE: To integrate our villages into dev. process.

PEOPLE'S PARTICIPATION: Making people awakened & participative.

Governance : To nurture an open, transparent, accountable & purposeful.

SUSTAINABILITY : Maintaining sustainability at the core of our planning.

↑ Meeting human needs without compromising the ability of future generations to meet their own needs.

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LPG REFORMS

Many events in the past led to LPG Reforms.

LPG
- Liberalisation
- Privatisation
- Globalisation

LPGM
- Marketisation (introduced - 1991)

BACKGROUND:

1991 → Watershed Year
↳ In this year, economy faced Crisis → Monetary form

PM - P.V. Narasimha Rao.

∴ Economic programme
↳ To restore the crisis.
Also to reform, to restructure & to bring reform in society, to Modernise.

Crisis → opportunity

BALANCE OF PAYMENT DEFICIT
Import > Export

FACTORS:

(that led to 1991 reforms):

1. Rise in prices → Inflation Rate 6.7% to 16.7% increase
2. Increase in adverse Balance of Payment
3. Iraq war (1990-91) → Rise in petrol prices.
4. I's borrowings from IMF. (↑)
5. Soviet Union Collapsing.

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LIBERALISATION → Relaxation

Liberalisation of Economy means its freedom from direct or physical controls imposed by the govt.

1. **INDUSTRIAL SECTOR REFORMS**
   - Freedom to import goods.
   - Abolition of Industrial Licensing.
   - Expansion of Production Capacity.
2. **FINANCIAL SECTOR REFORMS**

   Role of RBI → Shift

   Regulator ⟶ Facilitator
3. **External Sector Reforms**
4. **Fiscal Reforms** → Tax Reforms

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PRIVATISATION

General Process of involving the private sector ⟶ in a state owned enterprise.

DISINVESTMENT: Situation when govt. sell off a part of its share capital of PSU's to the private sector.

Means transfer of ownership, management & control of the public sector to the private sector.

↳ Quality Effect.

GLOBALISATION

#Process associated with increasing openness, growing economic interdependence and deepening economic integration in the world economy.

↳ Reduction in tariffs.
↳ Long term trade policy.

WTO: World Trade Org.

- 1995
- → GATT (successor organisation of) tariffs
  General Agreement on Trade & Traffics.
  ↳ {1948, 23 countries}
- HQ- Geneva, Switzerland.
- Regulates & facilitates int. trade.

GATT (1948) → Marrakesh Agreement (1994-) → WTO

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INFLATION

- Rise in the prices of most goods & services of daily or common use.
  e.g. Food
  Clothing
  Housing
- Inflation measures the average price change in commodities & services over time.

Inflation —can lead to→ Political crisis

A SUSTAINED RISE IN THE GENERAL LEVEL OF PRICES.

- if one good → price rise → Not inflation.

DEFLATION : When the general level of prices is falling over a period of time.
Disinflation.

- Measured in Percentage.
- Rate of inflation is measured through **WPI** (Wholesale Price Index)
  CPI (Consumer Price Index)

(PI) → Measure of the average level of prices.

- Measured - **'POINT-TO-POINT'**
  i.e. Reference date 1Jan – 1Jan (2 years)
  Not → 1 Jan - 30th DEC

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WHY INFLATION OCCURS?

FACTORS:
(affecting Inflation):

DEMAND PULL INFLATION

- A Mismatch between demand & supply pulls up prices.

Demand ↑ same

Supply same ↑

∴ Situation of Demand Pull Inflation Arise.

It was a Keynesian Idea.

- Govt. keeps tracking such type of inflation.
  - ↳ And the goods in short supply are IMPORTED

↓

Happens **when economy is operating above full capacity.**

⇓

Good for the economy

↓

∵ it indicates that people are spending & businesses are growing.

COST PUSH INFLATION

- An increase in factor input costs (wages, raw material) pushes up prices.
- The price rise which is the result of ↑ in production is called CPI.
- Growth in the cost of production.
  - ↳ Product → price ↑

⇓

Can lead to Stagflation

Situation in which inflation rate is high, unemployment rate high, & economic growth is low.

↳ Gives sign → that **an economy is not performing well.**

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TYPES OF INFLATION

Low Inflation

- Slow, Small & Gradual.
- Predictable.
- Takes place in a longer period.
- Range of increase is usually in 'single digit'.
- Also called 'Creeping Inflation'.
- e.g. Monthly inflation rate of a country for six months:
  - 2.2 %
  - 2.3 %
  - 2.4 %
  - 2.5 %
  - 2.6 %
  - 2.7 %

  average

  Rate of change → 0.1% over a period of 6 Months

Galloping Inflation

- Very High Inflation.
- Running in the range of double digit or triple digit.
  - 20%
  - 70%
  - or 100% a year.
- e.g. Russian Economy faced it after the disintegration of USSR. (Soviet Union) ⇓ (Russia + 14 other countries)
- Also called
  - HOPPING INFLATION
  - JUMPING INFLATION
  - RUNNING INFLATION
  - RUNAWAY INFLATION

Hyperinflation

- Large & accelerating
- Annual inflation rate — Million or even trillion.
- Increase take place in a very short span of time.
- Prices shoot up overnight.
- e.g. Germany after WWI 1920-1923 prices were 36 billion times higher than two years earlier.

→ Bolivian Inflation of Mid 1985

→ Yugoslavian Inflation of 1993 (20% per day)

→ Can lead to complete loss of confidence in the domestic currency.

↓

Started opting 'INFLATION PROOF' ASSETS

↓

Gold
Physical Assets
Foreign Currency

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BOTTLE NECK INFLATION

- This inflation takes place when- Supply FALLS drastically, & Demand remains at the SAME LEVEL.
- Such situations arise due to supply side accidents:
  - Hazard
  - Mismanagement
- Also called 'STRUCTURAL INFLATION'
- Could be put in the 'DEMAND PULL INFLATION'.

CORE INFLATION

- Based on the inclusion or exclusion of the goods & services while calculating Inflation.
- Popular in western economies. ↓

Core inflation shows price rise in all goods & services excluding ENERGY & FOOD ARTICLES.

- India → First time calculated in the FY 2000-01
  - ↳ Govt. expressed → under control.

∵ western economies → these are not problems

But in India → These are of vital importance.

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SOME IMPORTANT TERMS

① INFLATIONARY GAP:

Fiscal deficit = Expenditure − Income

- The excess of total govt. spending above the national income.
- Spending → To increase the production level → New Machineries / Factories
  - Pushes the prices up ←
  - due to the increased level of goods & services' [DEMAND ↑]
    - → Many factors → Higher employment, increased trade activities.

∴ Real GDP exceeds potential GDP
(Actual) (expected)

② DEFLATIONARY GAP:

Fiscal Surplus = Income − Expenditure

- The shortfall in the total spending of govt. over the national income.
  - → Slowdown in production
  - decline in prices ←

Main reasons → Decrease in investments & " " Consumer spendings.

③ INFLATION TAX:

- A Form of taxation in which the (illegal) govt. alters the money supply.

∵ Money supply → Expand → Economy
the value of existing money decreases.
Tax → on Existing Money Holders
market floods with cash causing long term inflation.

- Not a legal tax paid to government.
- Refers to the penalty for retaining currency during a period of high inflation.
- Also called Seigniorage.

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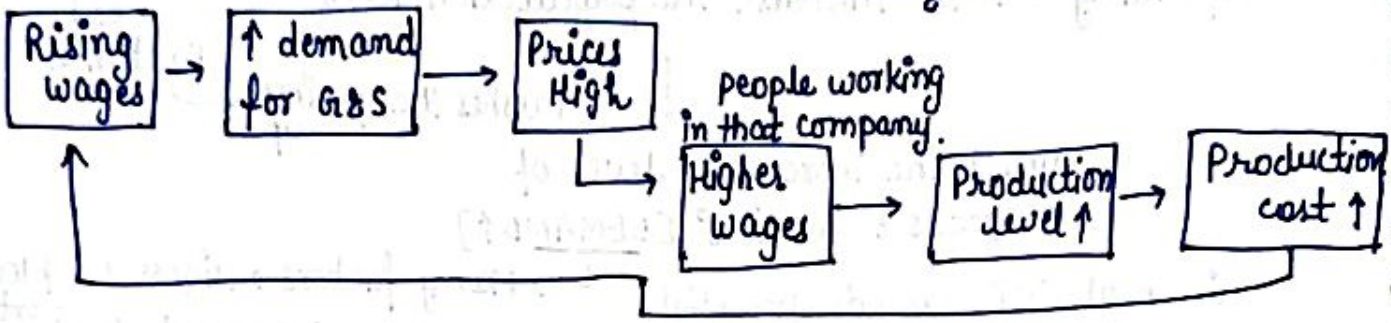
SOME IMPORTANT TERMS

(4) INFLATION SPIRAL: Explain the cause and effect relationship between Prices & wages.



(5) INFLATION ACCOUNTING: When a firm calculates its profits after adjusting the effects of current level of inflation → IA

Real profit of a firm. →
- Corporate sector.

(6) INFLATION PREMIUM →

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	WPI	CPI
	WHOLE SALE PRICE INDEX	CONSUMER PRICE INDEX
DEFINITION	• Measure of the Average change in the prices of goods at a wholesale level.	• Price index that calculates price of changes of goods & services that a consumer has to pay for purchasing goods at market.
PUBLISHED BY	• office of Economic Advisor.	• Central Statistics Office.
Stages Involved	• Measures the initial / first stage of a transaction.	• Final / last stage of a transaction.
Reference year for Calculation	• Uses financial year as a reference.	• Uses calender year as a reference.
Area of Focus	• Focuses on goods that are traded only between wholesalers.	• Focuses on goods that are being purchased by consumers.

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DEMOGRAPHY

↓ Derived from

'Greek word'

Demos + Grapho

↓ 'the people' ↓ 'description or Measurement'

DEMOGRAPHY → Statistical Study of human populations examining the size, structure & vital statistics. (birth, marriage, deaths

Roots → 'Natural & Political Observations' in (1662)

↑ work of JOHN GRAUNT (English statistician)

↑ FATHER | FOUNDER OF DEMOGRA-HY

Term First Coined by → BELGIAN STATISTICIAN ACHILLE GUILLARD (1855)

in his publication → 'Elements de statistique humaine, ou demographie compare'.

In demography, we study about AGE, GENDER, INCOME, EDUCATION & much more.

- Demographic Stages
- Population Trends in India
- The Year of Great Divide.

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⑤ DEMOGRAPHIC STAGES:

[Demographic Cycle]

STAGE 1: BR = DR
Birth Rate High – Death Rate High → HIGH STATIONARY
(No family Planning) (Lack of Medical facilities)

STAGE 2: Birth Rate High – Death Rate Low → EARLY EXPANDING
(Some medical facilities - available).
BR > DR
[Many African Countries]

* **STAGE 3:** Birth Rate Low – Death Rate Very Low → LATE EXPANDING (INDIA)
↑ [Means Population is expanding]
Concept of Family Planning
↑ Limited Awareness.
BR > DR

STAGE 4: BR Very Low – Death Rate Very Low → LOW STATIONARY STAGE (England).
BR = DR
(Somehow related to Stage 1)

STAGE 5: BR Very Very Less – DR Very Low → DECLINING STAGE / NEGATIVE POPULATION GROWTH (Germany)
BR < DR

- Death Rate HIGH & Birth Rate HIGH – UNDERDEVELOPED COUNTRIES
  - [Birth Control Measures ✗]
  - [NO Medical facilities]
- Death Rate LOW & Birth Rate HIGH – DEVELOPING COUNTRIES [e.g. India]
- Death Rate LOW & Birth Rate LOW – DEVELOPED COUNTRIES

Everything is controlled here.

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POPULATION TRENDS IN INDIA

1891-1921 → Period of Stagnant Population.
↳ Little or no growth in the economy.

1921-1951 → Period of Steady Growth.
↳ increasing gradually.

1951-1981 → Period of High Growth.

1981-2011 → Period of Declining Rate. [concept of family planning]

IMPORTANT: **1921- The Year of Great Divide / Demographic Divide** wrt India.

- Because Population Growth was scarce at that time. After 1921, India's population growth had remained consistent.
- After 1921 - Era of Great Population Explosion.
  ↑ cause
  ① Decrease in Death Rate due to improved Medical facilities.

1911-1921 → 0.39% decrease in Population.
1921-1931 → 11% Increase "
1931-1941 → 14% Increase "

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IMP. TERMS RELATED TO DEMOGRAPHY

CRUDE BIRTH RATE: No. of live births per thousand population in a given year.

CRUDE DEATH RATE: No. of Deaths per 1000 population in a given year.

POPULATION DENSITY: Population per square area.

LIFE EXPECTANCY: How long people in certain countries are expected to live.

ANTINATALIST POLICY: Policy of govt. to control or slow down the population growth.

PRONATALIST POLICY: Policy of govt. to increase or raise the population growth.

AGE DEPENDENCY: Percentage of Population that needs economic support (e.g. children, old age people) [people who can not work themselves].

MIGRATION: Displacement / movement of People from one place to another.

- INTERNAL
  - within a country
  - e.g. rural to urban
  - rural to rural
- EXTERNAL
  - Refugee (voluntary, forced).
  - Immigration
  - Emigration

BRAIN DRAIN: Exit or emigration of highly trained / skilled / educated people from a country.

SEX RATIO: No. of females per 1000 males in the population. (940/1000) census 2011

LITERATE: A person aged 7 years or above who can read & write with understanding in any lang.

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CENSUS

- First Census in India → 1872 under Lord Mayo. (not complete one).
- First Complete Census → Viceroy Ripon, 1881
- After Independence, 1st Census → 1951
- Done after every 10 years.
- Conducted by Registrar General and Census Commissioner, India under Ministry of Home Affairs.

CENSUS- 2011

Motto → 'Our Census Our Future'

- Total Population of India → 1.2 BILLION / 121 Crore
  - Most Populated State → UP (20 crore), MH (11 Crore)
  - Least Populated State → SK
  - Most Populated UT → DELHI
  - Least Populated UT → LAKSHADWEEP
- Sex Ratio → 940/1000
  - State with Highest Sex Ratio → Kerala (1084/1000)
  - UT " " " " → Puducherry (1037/1000)
  - State with Lowest Sex Ratio → Haryana (879/1000)
  - UT " " " " → Daman & Diu (618/1000)
- Literacy Rate → 74.04%. (Male - 82.14%, Female - 65.46%.)
  - State with highest Literacy → Kerala 93.9%.
  - " " lowest " → Bihar 63.8%.
- Distt. with highest Population → Thane (MH)
  - " " lowest " → Dibang (Arunachal Pradesh)
- No. of villages covered in 2011 census → 6,40,867
- Urban Population is → 31.36% of total Population.

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POVERTY

- Meaning - UN
  - WB
- Causes of Rural Poverty
- Causes of Urban Poverty
- Poverty Estimation in India (various Committees)
- The Global Multidimensional Poverty Index (MPI)
- Poverty Alleviation Programs.

MEANING : State or condition in which a person lacks the resources for a minimum standard of living.

Traditionally, poverty → Food, clean water, shelter, clothing.

Modern terminology → **Health Care, Education, Transportation.**

> India → **21.9% of population** lives below the poverty line in 2011 census.

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UN →
- Lack of basic capility to participate effectively in the society.
- Insecurity, Powerlessness, Exclusion of Individuals, Social discrimination etc.

WB → 1990 → WB → introduce → concept of 'poverty line'.
↳ $1 Per Day.

2017 Revised Measures ↳ WB defines extreme poverty as someone living on less than US $1.90 per day.
Int. Poverty Line ↑

Lower Middle Income Countries → $ 3.20 a day. (e.g. India)
Upper Middle Income Countries → $ 5.50 a day (S. Africa)
High Income Countries → $ 21.70 a day. (USA)

In India, Poverty line is defined on the basis of CALORIE INTAKE.

Urban Areas → 2100 calories fix
Rural Areas → 2400 calories fix

* INDIA IS HOME TO 1/3rd of Poor People in the World.
  ↳ + Pak + BG → Half of the poverty exists in these 3 nations only.
  ↳ (Max.) → Sub-Saharan Africa.

* Historically, 1st estimation of poverty line → Dadabhai Naoroji

CAUSES OF

Rural Poverty

* Rapid Population Growth
* Illiteracy.
* Child marriage.
* Lack of Proper Implementation of PDS (Public Distribution System)
* Excessive Population Pressure on Agriculture.
* Lack of alternate employment opportunities other than agriculture.

Urban Poverty

* Migration from Rural Areas.
* Lack of Skilled Labour.
* Limited job opportunities in cities.
* Lack of vocational training.
* Lack of housing facilities.

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POVERTY ESTIMATION IN INDIA

* Poverty Line Estimation in India is **based on the Consumption Expenditure** and not on the income levels.

↳ Poverty Line in India is defined on the basis of **Calorie Intake.** Urban → 2100 calories
Rural → 2400 calories

Y. K. ALAGH COMMITTEE: 1979
The first official Rural & Urban Poverty Lines at the National Level were introduced in 1979.
official Poverty count began for the first time.
Urban → 2100 calories
Rural → 2400 calories
Eventually defined, **first Poverty Line in India.**

D.T. LAKDAWALA COMMITTEE: 1993

TENDULKAR COMMITTEE: 2005
Current Estimations of Poverty are based upon the recommendations of Suresh Tendulkar Committee Report.
Basis → COST OF LIVING
Earlier → CALORIE INTAKE MODEL
21.9.1. ↳ 22% of Population is living below Poverty Line.
Per capita expenditure → Urban → Rs.33
Rural → Rs.27

C. RANGARAJAN COMMITTEE: JUNE 2014
Rural → Rs.32
Urban → Rs.47
Poverty → ~~21.9~~ 29.5%

As per RBI Report
- Least Poverty → Goa (5.09%)
- Most Poverty → Chhattisgarh (39.93%)

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THE GLOBAL MULTIDIMENSIONAL POVERTY INDEX

* Key int. resource that measures multi-dimensional poverty across more than 100 nations.
* First Launched in → 2010 By OPHI + UNDP [Its HDR office].
  OPHI → Oxford Poverty & Human Dev. Initiative

3 DIMENSIONS: HEALTH - Nutrition, Child Mortality
EDUCATION - Years in Schooling, School Attendance
STANDARD OF LIVING - Drinking water, Assets, Sanitation, Electricity, Housing, Cooking fuel etc

Based Idea → That poverty is not unidimensional.
└ It does not depend on income only.

HEALTH: (2)
EDUCATION: (2)
LIVING STANDARDS: (6)

CALCULATED ON THE BASIS OF 10 INDICATORS

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2022 INDEX DATA

Global → 1.2 Billion People are multidimensionally poor.
Highest → Sub Saharan Africa.

National → * India → Largest No. of Poor People World wide. [22.8 crore]
2nd → NIGERIA [9.6 crore]

* 41.5 Crore people moved out of poverty in India during the 15 year period.
  2005-06 — 2019-21

(1/5)

* More than one in five Children in India are poor.

PYQ's

Q: Kisan Credit Card Scheme was introduced in →

- 1991
- 1996
- ✓ 1998
- 2000

Ans:
- 1998
- By Indian Banks
- Model Scheme was prepared by → NABARD
  ↑ on the recommendations of – R.V. GUPTA Committee
- Objective → To meet the credit requirements of the agriculture by giving financial support to farmers.

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Q: NABARD is associated with the dev. of –

- ✓ the Agriculture sector & rural areas.
- Heavy Industries
- Banking Sector
- Real Estate

Ans: NABARD – 12 July 1982
- Smt. Indira Gandhi – PM
- By transferring the agricultural Credit functions of the then ARDC (Agricultural Refinance & Dev. Corporation).

Q: SANKALP is Launched to provide -

- Better Healthcare for Rural Poor.
- Better Healthcare for Urban Poor.
- Quality Education.
- ✓ Market relevant training to Youth.

Ans: Skills Acquisition & Knowledge Awareness for Livelihood.
↑ outcome oriented Programme of - (MSDE)
Ministry of Skill Dev. & Entrepreneurship.

- Centrally Sponsored Scheme
- In collaboration with WB.
- Aims to implement NSDM.
[National Skill Dev. Mission]

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Q: Which of these is the dimension of CSR?

- Physiological
- Political
- Ecological
- ✓ Philanthropic

Ans: Companies Act, 2013.

(4) kinds of social Responsibility → Legal, Ethical, Economic, Philanthropic.

Q: The First Industrial Policy was announced in →

- ✓ 1948
- 1956
- 1964
- 1972

Ans: First IPR → 6th April, 1948

↑ (Industrial Policy Resolution)

then Industry Min. → Dr. Shyama Prasad Mukherjee.

- To implement it, govt. passed Industries (Dev. & Regulation) Act, 1951

Q: Who conducts the periodic sample survey for estimating the poverty line in India?

- NITI Aayog
- CSO
- ✓ NSSO
- Ministry of Social Justice.

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Ans: • NSSO → National Sample Survey office.

↑ Under the MOSPI

Ministry of Statistics & Programme Implementation.

↑ Conducts Periodic sample Survey

↓

- And then its data is captured for the calculation of Poverty Line → By NITI Aayog.

Q: With what the Operation Green is related?

Ans:
- Use of Paramilitary Forces.
- Use of Armed Forces.
- ✓ Tomato, onion, Potato crops.
- Round Revolution.

→ Project under Ministry of Food Processing Industries.
- with the target to stabilize the TOP Crops. (Tomato, Onion, Potato) as well as to ensure their availability around the ~~wor~~ country, year-around.

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Q: The Khadi & Village Industries Mission was established during which of the 5 year Plans →
- 4
- ✓ 2
- 3
- 6

Ans: Statutory Body- Formed in April 1957
2nd 5 year Plan (1956-61)

POVERTY ALLEVIATION PROGRAMS

All the 5 Year Plans → Had elements in them to reduce POVERTY

e.g. 5th FY PLAN - GARIBI HATAO PROGRAM

9th FY PLAN - Target → To achieve complete elimination of poverty.

SCHEME	YEAR	OBJECTIVES
PUBLIC DISTRIBU-TION SYSTEM	Pre-independence	* First started → 1945 during WW II & in current form → after 1947 Affordable rate → wheat, rice.
IRDP	1978	* Integrated Rural Dev. Programme * World's Most Ambitious Program to alleviate Rural poverty. By providing income generating assets to the poorest of the poor.
PMGAY	1985	* Pradhan Mantri Gramin Awas Yojna. * Aimed at creating 20 lakh housing units, by giving out loans to people at subsidised rates to make houses.
JWAHAR ROZGA-R YOJNA	1989	* Launched with the objective of providing 90-100 days employment per person particularly in backward distt.
REVAMPED PDS	1992	* Launched in → 1992 Fair Price Shops For distribution of food grains at subsidised rate.

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SCHEME	YEAR	OBJECTIVE
JWAHAR GRAM SAMRIDHI YOJNA	1999	Aim → Dev. of Infrastructure in Rural Areas like - Roads, Schools, hospitals etc.
NATIONAL MATERNITY BENEFIT SCHEME	1999-2000	* For families below poverty line. Rs. 6000 → to a pregnant Mother in 3 installments.
ANNAPURNA SCHEME	1999-2000	* To provide food to senior citizens who can not take care of themselves + are not under the NOAPS National Old Age Pension Scheme + who have no one to take care of them in their village.
		* Mostly targeted → 'Poorest of the poor' & 'Senior Citizens'
ANTYODAYA ANNA YOJANA (AAY)	2000	* Provides foodgrains at highly subsidized rate of Rs. 2/kg - wheat Rs. 3/kg - Rice
SAMPURNA GRAMIN ROJGAR YOJNA	2001	* To provide employment for rural poor. ↳ who lived below poverty line.
		* Merge → Employment Assurance Scheme + JGSY ↑ Samridhi

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SCHEME	YEAR	OBJECTIVE
MG NATIONAL RURAL EMPLOYMENT GUARANTEE ACT (MGNREGA) Earlier → NREGA (2005) Name change MGNREGA [2nd oct 2009]	2005	* To enhance livelihood security in rural areas by providing at least 100 days of wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. * Another Aim → To create canals, ponds, roads, wells etc.
NATIONAL RURAL LIVELIHOOD MISSION	2011	* To reduce poverty by enabling the poor households → skilled & wage employment opportunities.
NATIONAL URBAN LIVEVIHOOD MISSION	2013	
PM UY [PM Ujjawala Yojna]	2016	* Launched to distribute 50 Million LPG Connections to women of BPL families.

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UNEMPLOYMENT

- Unemployment in India
- Unemployment Estimates in India (various Committees).
- Types
- Reasons
- Measures to curb it (Employment Gen. Programs)

DEFINITION

When a person is actively searching for work but is unable to find

Major Economic Criteria → Because it shows the capability of healthy, educated nation.

↳ **Defines a Nation's Economic Health.**

Thus, Higher unemployment Rate → Means → Lesser Economic Growth / Productivity

UNEMPLOYMENT RATE: $\frac{\text{Unemployed Workers}}{\text{Total Labor Force}} \times 100$

Unemployment does not include people who are unable to work due to →

- RETIREMENT
- DISABILITY
- Higher Edu. Pursuits.

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UNEMPLOYMENT IN INDIA

* The NSSO, since its inception in 1950, does the measure of un-employment in India.
[National Sample Survey Org.]

* INDIA → A person working 8 hours a day for 273 days of the year is regarded an employed

UNEMPLOYMENT ESTIMATION IN INDIA

B BHAGWATI COMMITTEE - 1973

↳ Set up by Planning Commission (1950) (Now NITI Aayog) (2015)

Gave 3 estimates of Unemployment →

Usual Principal status (UPS)

Persons who remained unemployed for a major part of the year

↓

called as 'OPEN UNEMPLOYMENT'

Current weekly status (CWS)

Persons who did not find even an hour of work during the survey week.

Current Daily Status (CDS)

⇒ during the survey week
↳ did not find work for some days.

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TYPES OF UNEMPLOYMENT

VOLUNTARY UNEMPLOYMENT

People not interested to take any kind of unemployment.

↳ Means Jobs are available but persons are not interested in being employed.

↓

Thus, such kind of persons are not included in the category of unemployed.

INVOLUNTARY UNEMPLOYMENT

Situation in which the persons are interested to work but the jobs are not available.

↓

various categories

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INVOLUNTARY UNEMPLOYMENT:

* **CYCLICAL UNEMPLOYMENT:**
  - Due to **RECESSION** in the economy.
    ↳ Less Man Power required due to ↓ in the level of economic activities.
  - During **BOOM PHASE** → Demand for labour force increases
    CYCLE → Max. demand / Less
  - Also called as **Keynesian Unemployment.**

* **DISGUISED UNEMPLOYMENT:**
  - Person → Employed But does not contribute anything in the production process.
  - If removed → Did not affect the work/productivity.

Also called as **CONCEALED UNEMPLOYMENT.**

FRICTIONAL UNEMPLOYMENT:

- Caused by people taking time out of work.
  - ↳ Between jobs & looking for a job.
    - ↳ Looking for New Job
- Cause → Decline of one industry & rise of other.
- Short-Term in Nature.

SEASONAL UNEMPLOYMENT:

- Due to change in demand based on Seasonal Variations.
  - ↳ Generally occurs in → Agro-Based Industries.
  - some activities → particular season.

STRUCTURAL UNEMPLOYMENT:

- Refers to Mismatch of Job Vacancies, with the supply of labour available.
  - ↳ Due to the SHIFT IN THE STRUCTURE OF ECONOMY.
    - Technological Unemployment → [Old People → Paper work; Now → Computer → Difficulty. Tech Change / Innovation.]
    - ↳ Diff. between what company needs & what workers offer.

CLASSICAL UNEMPLOYMENT:

Also called as Real wage unemployment.

Occurs when real wages or the cost of employing a worker, is too high.

- ↳ Workers do not accept lower wages.
  - ↳ Hence, company can't afford them.
    - ↳ Unemployment.

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REASONS

INCREASE IN POPULATION

UN → India → one of the Most Populous Country in the world.
↳ Unemployment.

INADEQUATE ECONOMIC GROWTH

* Indian Economy → Developing Economy.
* Growth Rate → Inadequate
* Population is ↑
* Economy can not keep up with the demands of Employment.

AGRICULTURE - A SEASONAL OCCUPATION

↳ Employment → A large No. of population
BUT ONLY FOR SEVERAL MONTHS OF THE YEAR.
Rest time → UNEMPLOYED.

LACK OF ESSENTIAL SKILLS

↑ Lack of tech. skills.
* No hands on training
* No practical knowledge.

LOSS OF SMALL-SCALE / COTTAGE INDUSTRIES

Industrial Dev.
↳ SSI → Less Attractive.

↓ Mass Production
Cheap Price

↓ Produced in a particular amount
(due to limited workers)
COSTLY
∵ Handcrafted by Artists.

Hence
DECLINE
↳ Unemployment.

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POVERTY & EMPLOYMENT GENERATION PROGRAMS

PROGRAM	YEAR	OBJECTIVE
PM GRAMODYA YOJANA (PMGY)	2000	Focuses on village level dev. in 5 critical areas: Primary Edu, Housing, Rural Roads, Drinking water, Nutrition. overall objective → To improve the quality of life of people in rural areas.
FOOD FOR WORK PROGRAMME	2001	To give food & wage employment in drought affected areas in 8 states. Wages → By state govt. partly in cash, partly in foodgrains.
PM EMPLOYMENT GENERATION PROGRAMME	2008	By setting up, self employment ventures / projects, to generate employment opportunities in rural & urban areas.
DIRECT BENEFIT TRANSFER	2013	Anti-Poverty Programme, aimed to transfer subsidies to the people living Below Poverty Line.

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PROGRAM	YEAR	OBJECTIVE
BHARAT NIRMAN YOJANA	Dec 16, 2005	* Aims at Developing Rural Infrastructure. * Major Sectors: Roads, Housing, Electrification, Water supply.
JLN NATIONAL URBAN RENEWAL MISSION (JNURM)	2005	* Massive City Modernisation Scheme. Under Ministry of Urban Dev. * Inaugurated by the then PM Manmohan Singh
INDIRA AWAAS YOJANA	1985	* To provide housing for all rural poor in India.
NATIONAL OLD AGE PENSION SCHEME (NOAPS)	1995	* Given by Center Govt. Work → Panchayats & municipalities States also contribute. 60-79 Y. → Rs. 200/Month >80 Y → Rs. 500/Month

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HEALTH ORIENTED PROGRAMMES

NATIONAL RURAL HEALTH MISSION:
- Launched in 2005.
- To provide effective healthcare to rural population, with special focus on 18 states with weak health indices.
- By the then PM **Manmohan singh**

JANANI SURAKSHA YOJNA:
- Launched in 2005, April
  By Modifying NMBS
  National Maternity Benefit Scheme.
- Safe Motherhood intervention under NRHM.

Objective → To reduce maternal & infant Mortality by promoting institutional delivery among pregnant women.
↳ Implementation ← Giving Birth in Medical Institution under the overall supervision of trained health personnel.
↳ in all states & UT's

PM SWASTHYA SURAKSHA YOJNA: 2010

Aims at correcting the imbalances in the availability of affordable healthcare facilities in diff parts of the country.
↳ AIIMS like institutions set up.
↳ + upgradation of various Medical colleges.

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EDUCATION ORIENTED PROGRAMMES

MID DAY MEAL: (MDM)

- School Meal Programme in India designed to better the nutritional standing of school-age children worldwide.
- Has been renamed as POSHAN SCHEME
- Largest Feeding School Programme in the world. ↑ 2021
  - ↳ PM Poshan Shakti Nirman
- Launched in 1995.
  - 1st to 8th ← Now under the name of 'National Programme of Nutritional Support to Primary Education'.

SARVA SHIKSHA ABHIYAN:

- 'Education for All Campaign'
- Aimed at Universalisation of Elementary Education

86th CA – Making free & compulsory Education to children between ages 6 to 14 a FR.

Pioneered by → Former Indian PM Atal Bihari Vajpayee.

↳ Aims to educate all children between the Ages 6 to 14 by 2010.

Merged with National Education Mission in 2018

- KASTURBA GANDHI BALIKA VIDYALAYAS — 2004
- NATIONAL PROGRAMME FOR EDUCATION OF GIRLS AT ELEMENTARY LEVEL (NPEGEL) — 2003
- RASHTRIYA MADHYAMIK SHIKSHA ABHIYAN (RMSA) — MARCH 2009
- SAAKSHAR BHARAT — 2009

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WOMEN EMPOWERMENT PROGRAMMES

✱ RAJIV GANDHI SCHEME FOR EMPOWERMENT OF ADOLESCENT GIRLS ↳ 'SABLA'	2010	Aims at empowering adolescent girls of 11 to 18 years by improving their nutritional & health status, upgradation of home & vocational skills.
✱ RASHTRIYA MAHILA KOSH (National Credit Fund for Women)	1993	Micro finance services → Client friendly & Hassle Free loaning Mechanism.
✱ INDIRA GANDHI MATRITVA SAHYOG YOJANA	2010	To improve the health & nutrition status of pregnant, lactating women & infants.
✱ DHAN LAXMI	2008	Condition cash transfer scheme for the girl child to encourage families to educate girls & prevent child marriage.
✱ UJJWALA	2007	Launched to put an end to the trafficking of children & women.
✱ NATIONAL MISSION FOR EMPOWERMENT OF WOMEN (NMEW)	2010	Launched with the aim to strengthen overall processes that promote all round dev. of women.

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PSU's

[PUBLIC SECTOR UNDERTAKINGS]

Govt. owned companies.

Govt. → 51% or more stake.

DEPARTMENTAL

Directly managed by a concerned deptt. like Railways, Posts.

NON-DEPARTMENTAL

managed by Parliament or State Legislature.

e.g. HPCL

FINANCIAL

Insurance companies owned & managed by Govt. to ensure that financial services reaches up to the last mile. e.g. LIC

MINIRATNA

MAHARATNA

NAVRATNA

NODAL MINISTRY: Ministry of Heavy Industries & Public Enterprises [Department of Public Enterprises].

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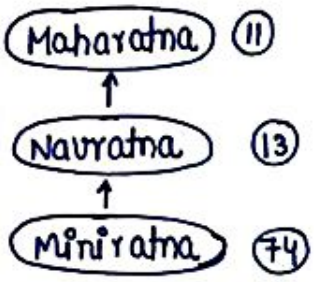
MAHARATNA COMPANY



- They should have 'Navratna' status.
- Should be listed on the Indian Stock Exchange.
- Should have an average turnover of >25,000 Crores in last 3 years.
- Annual Networth → >15,000 crores during the last 3 years.
- Annual Net Profit → >5000 crores " (after Tax)
- Significant Global Presence or int. operation.

Total → 11 Maharatna Companies

NTPC: 1975, Delhi.

BHEL: 1964, Delhi.

SAIL: 1954, Delhi, Soma Mondal.

GAIL: 1984, Delhi.

IOC: 1959, New Delhi.

ONGC: 1956, Delhi

Power Finance Corporation: 1986, Delhi.

Power Grid Corporation of India Ltd: 1989, Gurgaon.

Coal India Ltd: 1975, Kolkata.

BPCL: 1952, Mumbai

HPCL: 1974, Mumbai

NAVRATNA COMPANIES

(13)

* Must come under 'Miniratna' status.

↳ Bharat Electronics Ltd.
Container Corporation of India Ltd.
Engg. India Ltd.
Hindustan Aeronautics Ltd.
Mahanagar Telephone Nigam Ltd.
National Aluminium Company Ltd.
Neyveli Lignite Corporation Ltd.
NMDC Ltd.
Oil India Ltd.
Rashtriya Ispat Nigam Ltd.
Rural Electrification Corp. Ltd.
Shipping Corp. of India Ltd.
National Buildings Construction Corp. Ltd.

MINIRATNA COMPANIES

(74)

* Which have made Profit in the last continuous 3 years.

* CATEGORY-1 → 62
CATEGORY-2 → 12

An Aspirant !

AGRICULTURE

- AGRICULTURE → Contribution to GDP, Employment & National Income.
- BASIC FACTS about AGRICULTURE.
- Agriculture & 5 Year Plans.
- Coloured Revolutions in India.
- Green Revolution → 2nd Green Revolution. Evergreen Revolution.
- White Revolution.
- Fisheries Sector.
- Food Security in India.
- PDS
- National Food Security Act, 2013
- APP [Agricultural Price Policy]
- Agricultural Credit
- RRB's
- Agricultural Insurance Company of India Limited.
- NABARD, NAFED, NCDC.
- Mega Food Park Scheme.
- Important Portal & Apps related to Agriculture.
- Soil Health Card schemes.

An Aspirant !

AGRICULTURE

* Mainstay of the INDIAN ECONOMY despite emphasis on Industrialis-ation in the last six decades.

CONTRIBUTION TO GDP: contributes about 17% of the total GDP.

CONTRIBUTION TO EMPLOYMENT: Provides employment to around 58% of the total population.

BASIC FACTS ABOUT AGRICULTURE

* India is the biggest exporter of Cotton in the World.
* Largest producer of Ginger, potatoes, onions, brinjal etc. amongst vegetables.
* Sikkim ← First state in the world that claimed 100% organic farming
  → An agricultural process that uses biological fertilisers & pest control acquired from Animal or plant waste.
* India ranks 2nd in the World in agriculture production.
* Ranks 9th in Agricultural Exports.

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CONTRIBUTION IN NATIONAL INCOME:

1950's - as High as 56%
2011-2012 - 13.9%

NI

* Sum of all incomes earned by the factors of production in a country's economy.
* Wages & Salaries earned by workers,
  profits earned by Firms,
  rent earned by Landowners.

GDP

* Total value of all Goods & Services produced within a country's borders in a specific period, usually a year.
* Final Goods & Services produced by
  Households,
  Firms,
  Govt.

AGRICULTURE & FIVE YEAR PLANS:

FIRST FIVE YEAR PLAN: Highest Outlay on Agriculture.
Total outlay under plan → 1960 crores.
601 crores i.e. 31% was allocated to Agriculture.

SECOND FIVE YEAR PLAN: The over-fulfillment of 1st 5 year plan made planners think that food problem is solved.
Hence, now less outlay for Agriculture.
↳ 20% of the total outlay.

THIRD FIVE YEAR PLAN: Predominant Emphasis: Agriculture.
Major Objective: Self-sufficiency in Food Grains & to increase agricultural production for Exports.
Allocated almost 10% of the total outlay.
Intensive Agricultural District Programme (IADP)
High yielding variety Programme (HYVP)
were introduced during third Plan.

Other Plans:
Use of Fertilisers
New Agriculture Techniques.
Irrigation Facilities.
Self-sufficiency in FOOD Production.
HYV of seeds.
Groundwater Resources
Pest Control.
Marketing & Storage Facilities.
Credit Flow to Agriculture Sector.

12th 5 Year Plan: Development of Horticulture, Dairying & other Animal Husbandry.

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COLOURED REVOLUTIONS IN INDIA

REVOLUTION	PRODUCT
ROUND REVOLUTION	POTATO
GREEN REVOLUTION	AGRICULTURE (FOOD GRAINS)
GREY REVOLUTION	FERTILISERS / WOOL PRODUCTION
PINK REVOLUTION	ONION PRODUCTION
WHITE REVOLUTION	MILK PRODUCTION
BLUE REVOLUTION	FISHERIES SECTOR
RED REVOLUTION	MEAT / TOMATO PRODUCTION
YELLOW REVOLUTION	OILSEED PRODUCTION
BROWN REVOLUTION	LEATHER / COCOA PRODUCTION
GOLDEN REVOLUTION	FRUITS / HONEY / HORTICULTURE
GOLDEN FIBER REVOLUTION	JUTE PRODUCTION
SILVER REVOLUTION	EGG / POULTRY PRODUCTION
SILVER FIBER REVOLUTION	COTTON
PROTEIN REVOLUTION	AGRICULTURE
BLACK REVOLUTION	PETROLEUM PRODUCTION
EVERGREEN REVOLUTION	OVERALL DEV. OF AGRICULTURE
TRICOLOUR REVOLUTION	* BY PM MODI

SAFFRON ENERGY REVOLUTION- SOLAR ENERGY.

WHITE REVOLUTION- Cattle welfare.

BLUE REVOLUTION- Fisherman's welfare, Cleansing Rivers & seas, Conserving water.

An Aspirant

GREEN REVOLUTION

↳ Term → First Coined by Dr. William Gaud.

- Brainchild of Norman Borlaug.
- Launched in the year 1966.
  - ↑ won the Noble Peace Prize in 1970 for his work in developing HYV of wheat.
  - ↳ Also known as Father of Green Revolution.

HYV Seeds → Seeds resistant to insects & disease & have a high yielding capacity.
↳ To increase production.

- Called as 'Third Agricultural Revolution' after Neolithic & British Agricultural Revolution.

Father of Green Revolution in India → M S Swaminathan

MEANING: A large increase in crop production in developing countries achieved by the use of artificial fertilisers, pesticides & high-yielding crop varieties.

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- Great Success.
- Changed Country's Status from-

Food Deficient Economy → World's largest leading Agricultural Nation

- Led to an increase in Agricultural Production in → PB, HR, UP.
- 'Birthplace' or 'Burial Ground' of Green Revolution → MEXICO, NORTH AMERICA
  - Extend ↙ Latin America ← Beyond to Asia & Africa.
- Under the leadership of then PM Lal Bahadur Shastri, the Green Revolution within India commenced in 1968.

- The State of PB- was selected by Indian Govt. to be the first site to try the new wheat seeds because of its reliable water supply.
- Wheat Production → Increase → Three times between 1967-68 to 2003-04.
- **POSITIVE EFFECTS** → Increase in Crop Production.
  Self-Sufficiency.
  Availability.
  Benefits to Farmers.
  Agro-Industries.
  Employment.

- **SECOND GREEN REVOLUTION:**

The call for it was given by the then PM Manmohan Singh at the 93rd Science Conference in 2006.

Aim → To bridge the regional & crop imbalance.
↳ which were not addressed by 1st Green Revolution

Gandhian Approach → of Equitable Sharing of prosperity by involving the poor in dev.

Also seeks to cover dryland Farming.

An Aspirant!

- **EVERGREEN REVOLUTION:**

Concept given by Renowned Agricultural scientist Dr. M S Swaminathan.

CORE → To maintain SUSTAINABILITY

Focus → 'Organic Agriculture' / 'Green Agriculture'] with the help of integrated pest management + Integrated Nutrient Supply.

WHITE REVOLUTION

- GoI initiated it with the Motive of increasing Milk Production.
  - To make India one of the largest producer of Milk in the world.
  - And hence, today India is world's Largest producer of Milk.
- Father of White Revolution in India → **Dr. Verghese Kurien**
- Started in 1970.
- Aimed to create Nationwide Milk Grid.
  - ↑ Linking Milk Producers in India directly to consumers, reducing seasonal & regional price variations, ensuring that producers get fair market price.
- 1964-65 → Intensive Cattle Dev. Program
  - → **NDDB** → National Dairy Dev. Board.
    - Under Ministry of Fisheries.
    - → Introduced 'OPERATION FLOOD' to increase the speed of Milk Production.
- Main office - Anand, GJ.
- Founder - Dr. Verghese Kurien. ← Also known as 'Milk Man of India'

FEATURES

- Adopting New Methods of Animal Husbandry.
- Altering the composition of feed ingredients.

SUMMARY : White Revolution relates to phenomenal growth in Milk Production.

Animal Husbandry →
- Refers to livestock raising & selective breeding. It is the management & care of animals in which the genetic qualities are further developed for profit.
- A large no. of farmers depend upon animal husbandry for their livelihood.

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FISHERIES SECTOR IN INDIA

- 2nd Largest Fish Producing Country in the World.
- Fisheries + Aquaculture → Imp. source of food Production, Nutritional security, Employment & Income in India.

↑ Controlled Cultivation of Acquatic Organisms such as Fish, in controlled acquatic environment for commercial, recreational or public purpose.

- Major source for livelihood → For More than 20 Million Fishers + Fish Farmers
- Contributes 1.75 Trillion INR to India's Economy.
- Major Export Earner.

BLUE REVOLUTION: Neel Kranti Mission.
Had the vision to achieve Economic prosperity of the fishers & farmers.
Rs. 3000 Investment.
Crore

- India → Coastline → Over 8000km

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FOOD SECURITY IN INDIA

↓

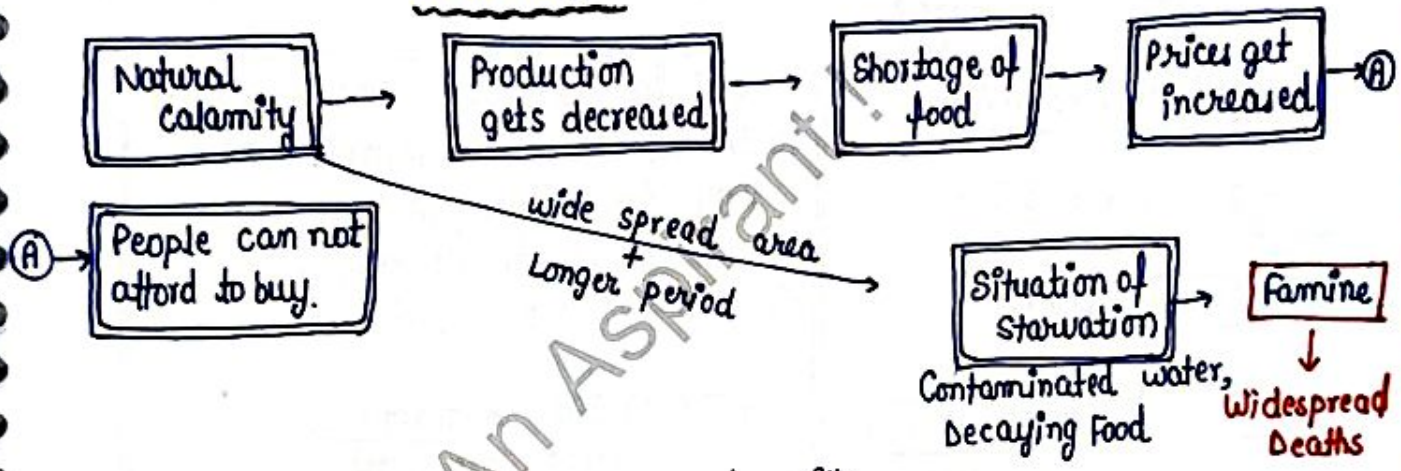
3A's - of food to all people at all times.

Availability
↓
Food Production
Food Imports

Accessibility
↓
Means food is in reach of every person.

Affordability
↓
Means that an individual has enough money to buy sufficient, safe & nutritious food to meet one's dietary needs.

WHY?



#Availability of Food has been ensured with a carefully designed Food security System by the govt.

↓

2 COMPONENTS

✓ Buffer Stock ← → PDS

Public Distribution System

⇓

Stock of Food Grains (mainly wheat & Rice) Procured by the govt. through FCI.

↑ from the farmers where there is surplus Production.

↓ ↓

MSP IP

An Aspirant

MSP

Minimum Support Price.

MSP is declared by govt. every year,
before the sowing season,
to provide ensurity to farmers for raising the production of these crops.

Pre Announced Price for the crops of farmers.

IP

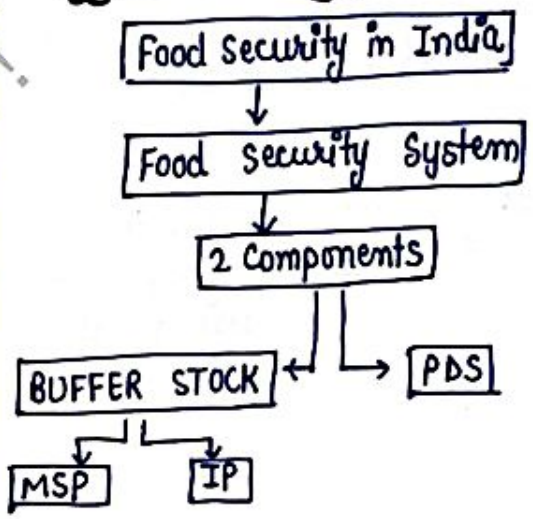
Issue Price.

- A price lower than market price.
- Buffer stock is created to distribute foodgrains in the deficit areas & among the poorer section of the Society
  - ↳ at a price lower than market price.

FCI →
- Food Corporation of India.
- Formed by the enactment of Food Corporation Act, 1964.
- Under Ministry of Consumer Affairs, Food & Public Distrib. GoI.

Formation → 1965 (14th Jan)
HQ → New Delhi
Service → Ensuring Food security in India.

REVISION BITS:



An Aspirant

PDS

PUBLIC DISTRIBUTION SYSTEM

- FCI Contributes the food Procured from the farmer through govt. regulated ration Shops.
  - ↳ PDS.
- Also called as Fair Price Shops. ← Keep Stock of Foodgrains, sugar & kerosene.

Revamped PDS (RPDS) → 1992
Targeted PDS (TPDS) → 1997
↳ 'poor in all areas'.

Most imp. step towards ensuring Food Security.

NATIONAL FOOD SECURITY ACT, 2013

Notified on → 10th Sept. 2013

Objective → To provide for food & Nutritional Security, by ensuring access to adequate quantities of quality food at affordable prices to people.

Coverage → 75% of Rural Population
+
upto 50% of urban population.
↳ Subsidised foodgrains under TPDS.

Overall → NFSA covers 67% of total population.

APP

Agricultural Price Policy

- Protecting Farmer's Interest
- Maintaining Reasonable Prices
- ↑ Agricultural Production } for Consumers & farmers as well.

Aims to help farmers receive fair prices for their agricultural produce so that they continue investing in agriculture.

Safeguard the consumer's interests by making food available at reasonable prices.

MSP's

- Based on the recommendations on the Commission on Agricultural Costs & Prices (CACP)
- Announces for 25 Agricultural crops.
- MSP is that price at which govt. is ready to purchase the crop from the farmers directly, if crop price fall below MSP.

Agricultural Price Comm. – 1965

↓ Renaming

CACP – 1985

An Aspirant

AGRICULTURAL CREDIT

Amount of investment made available for agricultural production from resources outside farm sector.

↳ Source → used to finance agricultural activity.

INSTITUTIONAL CREDIT

Credit available from financial institutions like-
NABARD, RRB,
Commercial Banks,
Banks, Cooperative Societies.

LBS → Lead Bank Scheme
Based on Area approach.
Launched in - 1969 on the recommendation of Dr. Gadgil & Narasimhan Committee.
14 Nationalised Banks + Pvt. Sector Banks
↳ Alloted Special Districts & were asked to play the 'lead role' in coordinating credit deployment.

NON-INSTITUTIONAL/ PRIVATE CREDIT

Credit available from -
Moneylenders, traders, landlords, relatives etc.

An Aspirant !

AIC

Agriculture Insurance Company of India Ltd.
Incorporated under Company's Act, 1956 on 2002 - A specialised Insurer.

HQ → New Delhi.
Under → Ministry of Finance.
Aim → To provide insurance coverage & financial support to the farmers in the failure of crops as a result of Natural Calamity, pests, diseases.

NCDC

National Co-operative Dev. Corporation.
Set up in 1963
HQ → New Delhi
Under → Ministry of Co-operation.
Aim → Planning & promoting programmes for production, processing, marketing, export, import of agricultural produce.

RRB's

Regional Rural Banks

Government owned - Bank + State Banks + Sponsor Banks.

Operate at regional level in diff. states of India.

Under Ministry of Finance.

Formation → 2 oct 1975

Main Objective → To provide credit & other banking facilities to small & marginal farmers, agricultural laborers etc. in the rural areas to boost the rural economy.

NABARD

National Bank for Agriculture & Rural Dev.

Set up in July, 1982

Apex Regulatory Body for overall regulation of RRB's & other cooper. Banks.

↳ Operations in the field of Agriculture

HQ → MUMBAI, MH.

NAFED

National Agricultural Cooperative Marketing Federation of India.

- Set up in 1963
- Deals in procurement, distribution, export & import of selected agricultural commodities.

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MEGA FOOD PARK SCHEME

- Launched in 2008 by GoI.
- Provides Financial Assistance up to 50 crores to set up Modern Infrastructure Facilities for food processing.
- Establishes a Mechanism to Link together farmers, processors & retailers & link agricultural production to market for minimization of wastage improving farmer's income etc.

(2023) → 24 Mega Food Parks are operational.

IMPORTANT PORTALS & APPS RELATED TO AGRICULTURE

The 'Participatory Guarantee System'- will help small & marginal farmers engaged in organic farming.

The Fertiliser Quality Control System- Take samples of imported fertilisers
↳ to analyse its performance & quality as well.

The 'Soil Health Card' Portal- To register soil samples.
↳ To create a national database on Soil Health for future ~~for~~ use.

'Agrimarket' Mobile App- To keep farmers aware about the crop prices around them.

'Crop Insurance' Mobile App- To get the complete details about crop insurance cover available in their area.

SOIL HEALTH CARD SCHEME- Launched by N. Modi in 2015
Govt → Soil Card to farmers
to help them get a good harvest by studying the quality of soil.

An Aspirant !

TAXATION IN INDIA

- CONCEPT
- CESS
- SURCHARGE
- CLASSIFICATION OF TAXES → DIRECT & INDIRECT.
- GST

Govt has to run the country,
Govt has to provide subsidized facilities,
so they need funds for that.
↳ TAXES

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CONCEPT:
- Source of Revenue for the govt.
- Instrument used to garner resources.
- These resources are then used by govt. to make expe-nditure.
- Can be used as a tool to control Inflation.

Inflation → When there is more money in the hands of people. ↓ take out ↓ govt. increases the prices.

For example → 100 @ 10% Rs. 90
100 @ 13% → Rs. 87
↑ Rate of taxation.

- Julius Caesar ↓ 1% sales tax Roman Dictator
- Arthshastra ↑ written by Kautilya. ↑ Elaborate taxation system

TAXATION →

Legal fee / financial charge levied by the govt. on an individual / an org.

- Tax is collected as a revenue for public works done by govt. like- Health Infrastructure
  Education, Transport services,
  Bridges construction.
- Imposes a financial obligation on its citizens.

ARTICLE 265 → Authority of law ✓
↓ Should be backed by law.

- Whatever tax is being charged need to be backed by the law passed by the parliament / by the state legislature.

ARTICLE 246 → Grants power to center & state govt. to make laws w.r.t. GST imposed by center or such state.

73rd & 74th CA → Provisions to levy taxes by Panchayats & Municipalities.

CESS → . Must only be applied to the purpose for which it is levied.
↳ Education Tax Cess
Swacch Bharat Tax Cess
. Imposed on all taxpayers.
A Cess is a tax on tax.
. Paid to the CFI

SURCHARGE → Fee added to any tax that has already been paid.
- Not levied for any particular reason.
↳ High Income Slabs / Ultra-Wealthy [govt. resources → More use].
Income parameter → Fix

An Aspirant !

CLASSIFICATION OF TAXES

Tax is a mandatory fee imposed upon individuals or corporations by the central & state governments to help build the economy of a country by meeting various public expenses.

DIRECT TAX ← → INDIRECT TAX

DIRECT TAX → TAX LEVIED ON INCOME / PROFITS of people.

- Tax levied directly on a taxpayer who pays it to the Govt. & can not pass it to someone else.
- Taxpayer pays directly to the Authority imposing the tax.
- Here, impact & incidence is on the same person.

↑ To whom the govt. is asking to pay tax?

For Example → MEGAN

↑ Who is paying the tax?

MEGAN

why both same?

Because the liability to pay direct tax can not be passed to someone else.

TYPES:

1. Personal Income Tax → Income (impose) → that is being earned in a financial year.
2. Corporate Tax → Imposed on Companies. Pay tax → on the benefits earned from Business.
3. Securities Transaction Tax → Levied while dealings with securities listed on a recognized stock exchange.
4. Wealth Tax → Abolished in 2016.
5. Capital Gains Tax

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CAPITAL GAINS TAX → Levied on earnings made from the sale of Assets like stocks or real estate.

INDIRECT TAX

- Tax levied on the consumption of goods & services.
- Not directly levied on the income of the person.
  Instead the person has to pay the tax along with the price of goods & services brought by the seller.
- Here, the impact & incidence both are on the diff. people.
  - ↓ To whom the gov. is asking to pay the tax?
  - ↳ Who is actually paying the tax?

Forexa-mple → Restaurants

↳ THE HUNGER'S PLACE

MEGAN — woman who purchased Pizza from this restaurant.

Rs. 110

100 @ 10% → Rs. 10 → Tax → Govt. Paid by Megan.

Govt. —TAX→ RESTAURANT —?→ BUYER

PAYING INDIRECTLY TO GOVT.

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TYPES →

EXCISE DUTY → Paid for Manufacturing Goods. → Cancel
Now → GST.

CUSTOM DUTY → Paid on goods imported from outside India.

STAMP DUTY → Paid on the sale of Immovable property.

ENTERTAINMENT TAX → Movie Tickets, Amusement Parks, Stage shows, Exhibitions.

SAFEGUARD DUTY → To safeguard the Economy.
Wheat → Export (if we want to reduce)
↳ Price ↑ → Export → Automatically Reduce

SERVICE TAX → Charged on sevices availed by customers.
For Example - Hotel Booking.

GST

* Launched with the view of 'One Nation One Tax'
  To make India a unified market.
* Single tax levied on the supply of Goods & services, starting from
  Manufactures → to → Consumer
  Goods → VAT
  Services → Service Tax
* Destination based taxation System.
  Manufacturing → Excise Duty
  Now → GST
  Origin ↓ Destination
  ↑ Tax paid for using goods & services.
  Paid at the time of Consumption.

1st July 2017 → GST to be applicable across India.

* Calculated only in the 'value addition' at each stage of goods & services.
* Established by 101st CA, 2016
  - why required?
  - Power alteration

Earlier
State → to collect Goods Tax, Service tax (∝)
Center → to collect Services tax, Goods Tax (∝)

* GST Council → To decide upon any matter related to GST.
  Chairman → Finance Minister of India.

TYPES

CGST — Imposed by Center
SGST — Imposed by state
IGST — Imposed on inter state supplies of Goods & Services.

INTRA STATE
Rs. 100
Rs. 10 → center
Rs 10 → state
CGST 10%
SGST 10%

GJ — Manufacturing
TN — Sell

Challenge → State → more Manufacturing Units
- → Loss
- → Because it is a destination Based Tax.

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DEMOGRAPHY

- CONCEPT
- ORIGIN
- TYPES- FORMAL & SOCIAL DEMOGRAPHY
- HISTORY OF MODERN CENSUS
- IMPORTANCE

CONCEPT: Systematic Study of Population.
↳ Inhabitants of a Particular Place.

Demography
↓ origin
Greek
↓ ↓
Demos (People) Graphein (Describe)
↳ Description of People.

Study → Trends & Processes associated with Population.
↳ Change in Population Size, Deaths, Migration & Birth Patterns

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DEMOGRAPHY

FORMAL DEMOGRAPHY

- Studies the components of Population Change in Quantitative Manner.
  ↳ Uses Mathematical Method for it.

SOCIAL DEMOGRAPHY

- Focuses on Social, Economic & Political Aspects of Population.

ex. Girls → More Edu. ✗
↳ Social Belief- Society
↳ Causes ?
Consequences?
Study → Social Demography.

* All demographic Studies — Based - Counting or Enumeration
↓
CENSUS

Systematic collection of data of the People residing in a specified territory.

HISTORY OF MODERN CENSUS →

* First Modern Census → American Census of 1790
↓
Early 1800's → EUROPE

* INDIA → 1867-72 → By British Indian Govt. → GGoI → Lord Mayo.
And Regular census → 1881 → Viceroy → Lord Ripon.
(Decennial Census)

* After Independence → 1951 ← MOST RECENT
1951-2011
7 Decennial census have been conducted.

* The Indian census is the largest such exercise in the world.
[China → does not conduct regular censuses].

IMPORTANCE → For planning & implementation of State Policies.
↳ Public welfare
↳ Economic Dev.

AM Aspirant

CENSUS

- WHAT IS CENSUS?
- NODAL MINISTRY
- HISTORY OF CENSUS
- FEATURES OF CENSUS 2011
  - → POPULATION & DECADAL GROWTH
  - → POPULATION DENSITY
  - → SC & ST POPULATION
  - → SEX RATIO
  - → LITERACY RATE
- PYQ Practice

WHAT IS CENSUS? →

Birds Census
Water Bodies census
Animals census
Population census

⇓

Total Process of collecting, compiling, & analysing the demographic data pertaining, at a specific time, of all persons in a country.

INDIAN CENSUS is one of the largest Administrative Exercise undertaken in the World.

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NODAL MINISTRY :

Decennial census

↓

conducted by → The office of the Registrar General & census Commissioner

MRITUNJAY KUMAR NARAYAN

[with effect from – 2022 The Census Act, 1948]

HISTORY OF CENSUS →

- The First Complete Census of Indian City → Dhaka, BG in 1830 by Henry Walter.
  Father of Indian Census →
- First Non-Synchronous Census → conducted in → 1872
  GGoI → Lord Mayo
- First Synchronous Census in India → During British Rule.
  1881, Viceroy → Lord Ripon
  Present form census
  By WC Plowden (Census Commissioner in India)
- 1881 - Till Now - Continuously
- The First census of Independent India → 1951, 9th Feb.

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CENSUS - 2011

FEATURES →

- 2011 Census → The Registrar General & Census Commissioner of India → C.M. CHANDRAMAULI
- Slogan → 2011 census → 'Our Census, Our Future'.
- 15th Census since 1872
- 7th census since independence.
- Largest Census in Human History ever conducted by any govt. till now.

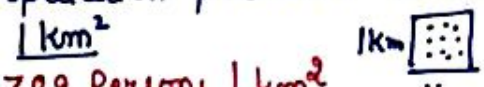
POPULATION & DECADAL GROWTH →

India's total Population → 1.21 Billion
Decadal Growth Rate → 17.7% during (2001-11)
Previous decade → Growth Rate → 21.5% (1991-2001)

Highest Population
STATE - UP
UT - DELHI
LOWEST
- SK
- LAKSHADWEEP

POPULATION DENSITY → Measurement of Population per unit land Area.

India's Population Density → 382 Persons / km²



HIGHEST LOWEST
STATE - BH - Arunachal Pradesh
UT - DELHI - Andaman & Nicobar Islands.

SC & ST Population → SC → 16.6% ST → 8.6%

STATE → HIGHEST UP — same → MP
UT → LIST DELHI — Lakshadweep.

SEX RATIO → No. of Females per 1000 Males in the Population.

↳ 943 / 1000

	HIGHEST	LOWEST
STATE -	KERALA (1084)	HR (879)
UT -	PONDICHERRY (1037)	Daman & Diu (618)

LITERACY RATE → Total Literacy Rate in India → 74.4%

MALES - 82.14%
FEMALES - 65.46%

HIGHEST →
- STATE - KERALA (93.91%)
- UT - LAKSHADWEEP (91.85%)

LOWEST →
- STATE - BH (61.8%)
- UT - DADRA & NAGAR HAVELI (76.24%)

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CENSUS

PYQ's

(1.) As per Census 2011, Most Densely Populated State → BIHAR

(2.) State having highest Literacy Rate → Kerala
↳ Highest Sex Ratio

(3.) As per Census 2011, Population Density is 382 persons per square km

(4.) Least Populous State → SIKKIM

Characteristics	State
State with Highest Sex Ratio -	Kerala
State with Lowest Sex Ratio -	Haryana
" " Highest Literacy Rate -	Kerala
" " Lowest Literacy Rate -	Bihar
UT with Highest Population -	DELHI
UT with Least Population -	LAKSHADWEEP
UT with Highest SC Population -	DELHI
UT with Highest ST Population -	LAKSHADWEEP
Highest Sex Ratio in UT →	PONDICHERRY
Lowest Sex Ratio in UT →	DAMAN & DIU

(5.) The Registrar General & Census Commissioner of India during 2011 Census → C. M. CHANDRAMOULI

AP Aspirant !

ECONOMIC GROWTH & ECONOMIC DEVELOPMENT

ECONOMIC GROWTH → Measures the change in the output or GDP of a country over a period of time.
- Measures the change in production of goods & services. ↳ increase / Decrease

Related to quantitative Concept.

Example →

	2000	2010	2020
Production	Thousands Amount	million Amount	Billion Amount.

↳ Level → increase → indicating Growth.

LIMITATION →
- Economy → Grow?
- Is it growing Equally?
- Does all the Sectors of Economy are having Growth?
- Per Capita Income
  - Particular category
  - All (Common category)
- Equal Growth - All states?
- Each section of society - Growth?
- Health, Education, Nutrition.

Not able to capture the Quality of Life.

NEW CONCEPT → WIDER CONCEPT: ECONOMIC DEVELOPMENT

- Affordability ↓ Less Cost
  - e.g. Health Sector Hospitals.
- Accessibility ↓ Each Area

An Aspirant !

ECONOMIC DEVELOPMENT

- Broader Concept that deals with other socio economic indicators like - poverty, unemployment, income equality etc.
- FOCUS → QUALITY of life.

MAJOR INDICES OF ECONOMIC DEVELOPMENT

- HUMAN DEVELOPMENT INDEX ✓
- GENDER INEQUALITY INDEX
- INEQUALITY ADJUSTED HDI

CHALLENGES →

1. Low Per capita Income.
   → Population Burden
2. Huge Dependence on Agriculture.
   rather should be taken by → Industrial sector + Tertiary sector.
3. Existence of Unemployment.
   → Skill Gap required is not available.

SOLUTIONS:

1. Improving Productivity of Agriculture. → Private Participation, Better Tools, New Irrigation facilities, New Tech., Innovative Ideas
2. Improving the Education System in the country. → Upskilling.
3. Investment in Health Sector.
   → Make it Affordable.
4. Boosting MSME Sector.

An Aspirant

MONETARY POLICY

MONETARY → Relating to Money / currency

POLICY → To bring change.

* Change in the Supply of Money in the Economy.

Economy → Money ↑ → Inflation
Economy → Money ↓ → Central Bank will inject Money in the Economy.

MONETARY POLICY → Set of guidelines laid out by the RBI to control the aggregate supply of Money available to the banks, consumers etc.

OR

Governs the entire functioning of all the financial institutions of the country.

POLICY OF RBI
Central Bank

Prescribed under → RBI Act, 1934 empowers RBI to formulate the Monetary Policy.

{ Govt. Policy → Fiscal Policy.

{ other Act (Banking) → Banking Regulations Act, 1949

An Aspirant

MONETARY POLICY

EXPANSIONARY MP

* Tries to expand the Money Supply in the Economy.
* Money Supply → Increase

CONTRACTIONARY MP

* To suck out the liquidity in the Economy.
* Money Supply → Decrease

MONETARY FRAMEWORK IN INDIA

↓

Agreement central [RBI + Government]

↓

To control Inflation → PRICE Stability + Maintain Growth

* To maintain price stability while still pursuing the goal of growth.
* To maintain the above two: RBI uses following →

INSTRUMENTS OF MONETARY POLICY

Tools used to control Indian Economic Goals.

QUANTITATIVE TOOLS

Focus → Quantity of the Money Supply. + VOLUME

↓

Liquidity Adjustment Facility (RR, Reverse RR)
Bank Rate
Cash Reserve Ratio
Statutory Liquidity Ratio
marginal Standing Facility
Open Market Operations

QUALITATIVE TOOLS

Focus → More on the quality of the Money Supply.

↓

* Rationing of Credit
* Direct Action
* Moral Suasion
* Changes in Marginal Requirem-ent on Security Loans.

{e.g. Particular sector → Budget Amount? ← Govt.}

↓

Decide

↓

Quality

An Aspirant !

QUANTITATIVE TOOLS OF MONETARY POLICY

- Liquidity Adjustment Facility
- Bank Rate
- Cash Reserve Ratio
- Statutory Liquidity Ratio
- Marginal Standing Facility
- Open Market Operations

LIQUIDITY ADJUSTMENT FACILITY → Tool to adjust the liquidity of Commercial Banks

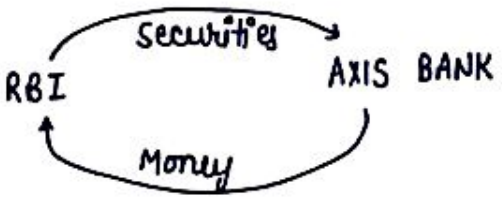
- REPO RATE
- REVERSE REPO RATE

REPO RATE → An interest Rate at which RBI provides Loans to the commercial Banks.

overnight purpose / short term

While Borrowing :

While Returning :



REVERSE REPO RATE → The Rate at which RBI borrows from Commercial Banks.

BANK RATE →

- Rate at which RBI lends to commercial banks for long term purpose.
- No Repurchase Obligation is there under Bank Rate.
- Influences the lending rates of Commercial Banks.

An Aspirant !

SIMILARITIES →

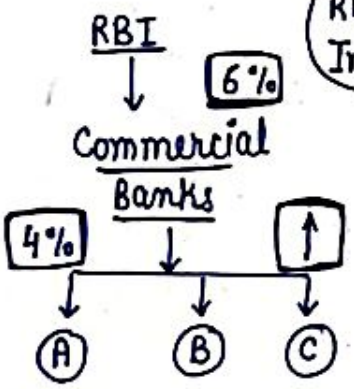
	REPO RATE	BANK RATE
Determined by →	RBI	RBI

- Commercial Banks take loans from RBI.
- Controls Money Flow in the Economy.

DIFFERENCES →

REPO RATE	BANK RATE
• Repurchase of Govt. securities.	• Only Amount + Interest Rate
• Overnight Funds with 1 day tenure.	• Tenure can be up to 28 days.
• Fulfil the Short term needs.	• Fulfill the long term needs.
• Does not directly affect the interest rates of the bank.	• Directly affects the bank's lending rates to consumers. OR The rates at which commercial banks lends.

RBI Lending Rate ↑
Interest Rate ↑



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CASH RESERVE RATIO →

Minimum amount that the banks are required to maintain with RBI.

→ % of cash against Bank's total deposits

- Banks don't earn any interest on that money.

CRR
2% → AXIS BANK → Rs. 100 → Rs. 98 → Give Loans to Consumers.
RBI ← Rs. 2

Now, if RBI feels that Money Supply has increased in the Economy →

↓

CRR ↑
5% → AXIS BANK → Rs. 100 → Rs. 95 → As a loan customers.
RBI ← Rs. 5

Rs. 98 → Reduced → Rs. 95 through CRR

STATUTORY LIQUIDITY RATIO → * Minimum percentage of deposits that a commercial Bank has to maintain in the form of liquid cash, gold or other securities.

* Under Banking Regulation Act, 1949 - it can vary from 0% to 40%
* Banks earn under SLR.

MARGINAL STANDING FACILITY → * Overnight facility for commercial Banks to borrow an additional amount of Money.

Rate of Interest (MSF) > Repo Rate

MSF = Repo Rate + 0.25%

Excess Liquidity → RBI sells the securities
Liquidity → Tight → RBI ↑ Liquidity

OPEN MARKET OPERATIONS → Central Bank buy's sells govt. securities in the financial market to influence the Money Supply in the Economy.

An Aspirant !

QUALITATIVE TOOLS OF MONETARY POLICY

SELECTIVE INSTRUMENTS OF RBI'S MONETARY POLICY

- Rationing of Credit
- Direct Action
- Moral suasion
- Changes in Marginal Requirement & Security Loans.

RATIONING OF CREDIT →

- It aims to control the purpose for which the credit is being granted to commercial banks.
- Example → Govt. → Focus → Education
  More Money Allocate + Better opportunities

Setting quota for granting Loans for Particular sector.

- RBI → issue circular

AXIS BANK
Loan ↓ 1000 crores
50% Education
50% other Sectors

DIRECT ACTION →

- Direct Action is taken by Central Bank when the commercial Banks don't co-operate with them.

Commercial Banks – SLR, – CRR] Maintain a no. of ratios

- Takes over the management for some time.

An Aspirant !

∝ RBI → Action → Commercial Banks

Prompt Corrective Action

∝ RBI → Action → NBFC's

Scale Based Regulation

MORAL SUASION → ∝ RBI gives suggestions / advice to Commercial Banks to cooperate with it in implementing policies.

Example →

RBI - Bank Rate ↓ ∝ RBI → issue → Directives, Guidelines.

CB - Loan interest % ↑

└ Circular, Guidelines to Commercial Banks.

without taking any strict action.

CHANGE IN MARGINAL REQUIREMENTS ON SECURITY LOANS →

∝ Margin is the difference between the Market value of collateral security & the amount of loan that a bank can sanction against it.

Example → loan → AXIS BANK → COLLATERAL

FLAT → 10 Lakh

BANK → LOAN → 7 LAKHS

Diff → Margin Requirement (MR)

If RBI wants to reduce the liquidity in the Market

CB → MR ↑ Loan → 5.5 Lakh

Change in Marginal Requirements

AmAspirant

MONETARY POLICY TRANSMISSION IN INDIA.

- Process through which policy Action of the Central Bank is transmitted to meet the ultimate objectives of growth.

REPO RATE ↓
INTEREST RATE ↓
CONSUMPTION ↑
INVESTMENT ↑
OUTPUT ↑
GROWTH ↑

CRR → RBI → Commercial Banks → Total Investment

Total Investment → FRACTION (RBI) ↑ ; LOAN

If CRR ↑
Banks → Less Money → Loan
↳ Money Supply → Reduce & vice versa.

An Aspirant!

- Reasons behind Weak Transmission of Monetary Policy in India →

RBI Policy → Immediate effect ?

1. Health of Banking sector. → · NPA's · Money Supply ↓ · Means Money is available at Expensive Rate.

RBI —Rate ↓→ CB —✗→ Because of the already available NPA's

2. Financial Inclusion

3. Competition from other financial Saving Instruments. (NSC's, PF's)

FISCAL POLICY

- CONCEPT
- PUBLIC FINANCE
- BUDGET → NEED
  - ↳ WHO PREPARES IT?
  - ↳ BUDGET's OBJECTIVES
- COMPONENTS → GOVT. RECEIPTS
  - GOVT. EXPENDITURE
  - PUBLIC DEBTS
- FUNDS RELATED → CONSOLIDATED FUND OF INDIA
  - CONTINGENCY FUND OF INDIA
  - PUBLIC ACCOUNTS OF INDIA

An Aspirant

FISCAL POLICY

- Policy that is concerned with govt. spending & incomes to influence the economy.
  - spending → Education, Health
  - incomes ← Challan, Taxes

The use of govt. revenue collection & expenditure.

PUBLIC FINANCE

Concept that includes all the matters connected to receipts & payments expenditure of Public Money.

BUDGET

French word 'Buguet' → Meaning

A leather bag out of which the financial statement was brought out & presented in the Parliament.

Not used anywhere in the Constitution.

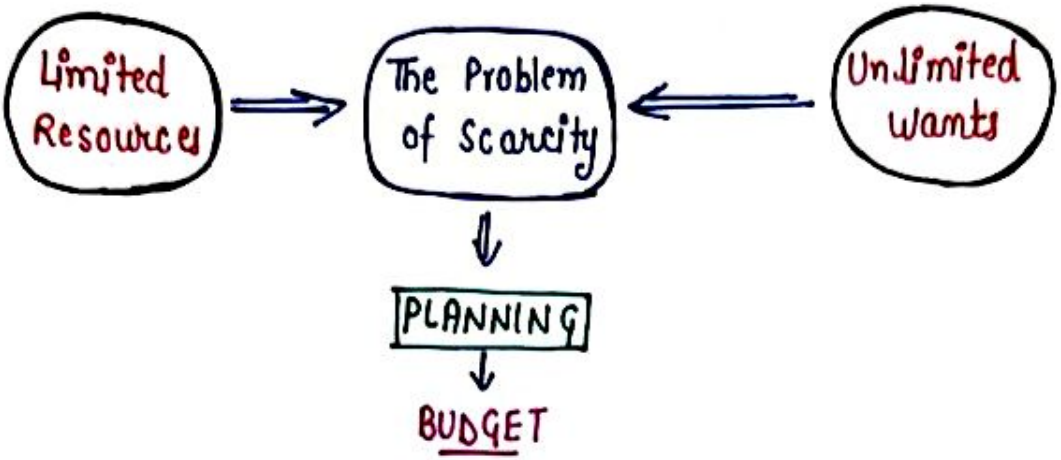
Basic Statement that tells the details of income & expenditure of the govt.

An Aspirant !

ARTICLE 112: Annual Financial Statement.

- Provides for such a document to be presented in the Parliament before the commencement of every New Fiscal Year.
  [1st April - 31st March]

NEED OF BUDGET



Who Prepares BUDGET?

Department of Economic Affairs of the Ministry of Finance.

Before 2017 → 2 types of Budget
- Railway Budget
- General Budget

On the recommendations of Bibek Debroy Committee, Both were Merged.

Theme 2023 Budget → 'Vasudhaiva Kutumbakam'

Theme 2022 Budget → 'Digital & Technology'

OBJECTIVES

- To achieve higher Growth Rate
  - → Max. Utilisation of Resources.
- To maintain price stability.
  - → if not → Inflation
- To reduce inequality.
  - → subsidized Facilities.

An Aspirant

COMPONENTS OF FISCAL POLICY

- GOVT. RECEIPTS
- GOVT. EXPENDITURE
- PUBLIC DEBT

- Government either receive money or spend money.
- For both of these → Accounts are needed to do transactions.

↓

CONSOLIDATED FUND OF INDIA

ARTICLE 266 (1) → Fund to which all the receipts are credited & all payments are debited. – Direct + Indirect Taxes

- ↳ All revenues received by the govt. of India.
  - └ Tax
  - └ Challan
- ↳ All Loans raised by the govt. by the issue of loans, advances & treasury bills.
- ↳ All Money received by the govt. in repayment of loans from the CFI.
- ↳ Money can be withdrawn from this Account only after the approval of Parliament.
- ↳ Each State.

Audited by CAG

CONTINGENCY FUND OF INDIA

CONTINGENCY FUND OF INDIA: ARTICLE 267

Purpose → To meet any urgent or unforeseen emergency expenditure.

- ↳ Natural Calamity
- Tsunami
- EQ
- Any Disaster

- Total Amount → Rs. 30,000 Crores

PUBLIC ACCOUNTS OF INDIA

An Aspirant

* Placed at the disposal of President
  ↳ Pending its authorisation by The Parliament on his behalf
  ↓
  Finance secretary.
* Parliament established Contingency Fund of India in 1950. under Contingency Fund of India Act, 1950

Finance secretary → T.V. Somanathan

PUBLIC ACCOUNTS OF INDIA → ARTICLE 266(2)

* All other Public Moneys (other than those in Consolidated Funds of India)
  ↳ PF Deposits (Provident Fund)
  Remittances
  Savings Bank Deposits
* Withdrawl from it does not require parliamentary approval.
* This fund does not belong to the govt.

An Aspirant !

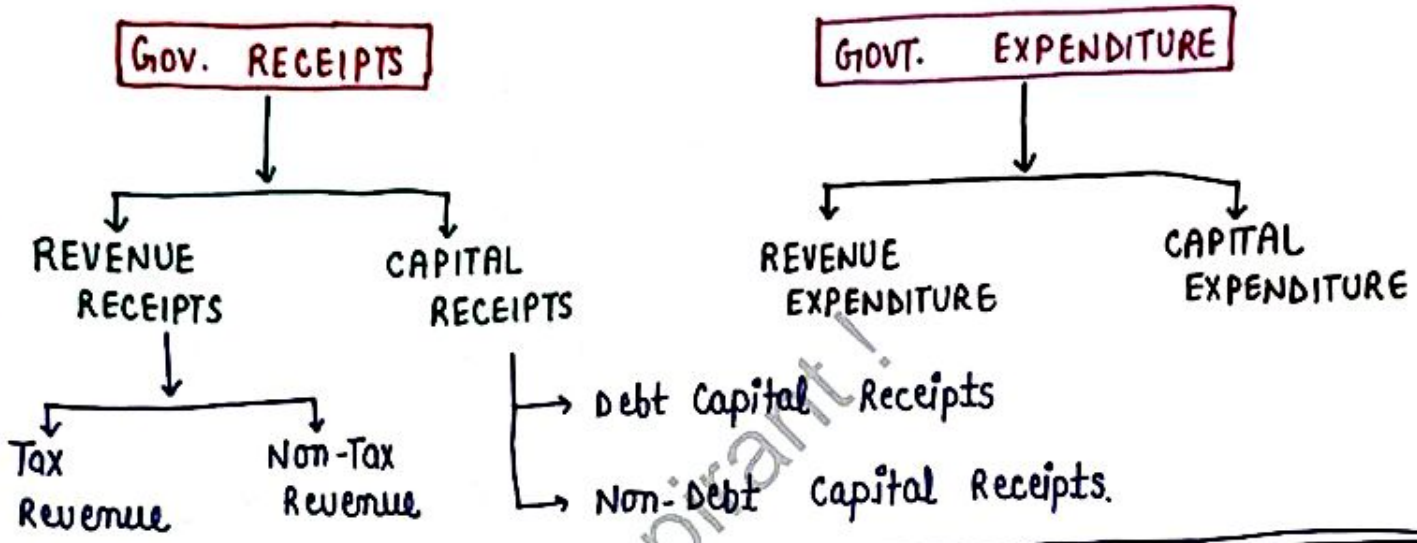
GOVT. RECEIPTS : Tax, Challan, Univ. fees, Zoos fees,

GOVT. EXPENDITURE : Pension, Salary, Infrastructure, Education

PUBLIC DEBT : Income → Rs. 1000
Expenditure → Rs. 1500
500 Rs. ← Debt

Components of Fiscal Policy

- Govt. Receipts
- Govt. Expenditure
- Public Debt



An Aspirant !

Govt. Receipts

All the Money received by GoI.

Revenue Receipts: Which are Regular

Tax Revenue → Taxes imposed by GoI on the people / the businesses.

- Direct Tax → Corporate Tax, Income Tax
- Indirect Tax → GST, Excise Duty

Non-Tax Revenue → Recurring Income of GoI (excluding the taxes)

- Fines, Penalties, Interest received on Loans given out by the GoI.

CAPITAL RECEIPTS → ∝ Not regular in nature.
∝ Creates liability on financial assets.
↳ Govt. receives money by loans.
The sale of govt. assets
Reduced the financial Assets of the Govt.

Debt Capital Receipts: Govt. borrows for its expenditure.
↓
Needs to be paid back.

Non-Debt Capital Receipts: Need not to be paid back.
↳ Through India's disinvestment Policy
↓
through the sale of PSE's
+
Loans / Advances made by GoI in the past.

Aspirant

EXPENDITURE

Money spent by GoI in performing various functions.

REVENUE EXPENDITURE

∝ These expenses are recurring in nature.
e.g.
- Salaries,
- Pensions,
- Interest on the loan taken by GoI.
- Subsidies.

CAPITAL EXPENDITURE

∝ Undertaken for the creation of capital assets & the socio-economic welfare of the people.
e.g. Money spent on the creation of schools, Hospitals, Railways.

INDIAN CURRENCY SYSTEM

- Mainly Currency Notes + Coins Issued by

CURRENCY NOTES EXCEPT RS. 1

↓

RBI → Reserve Bank of India
(Monetary Authority in India)
RBI Act 1934 empowers RBI to issue these.

COINS + 1 RS. NOTES

↓

issued by GoI under under COINAGE ACT, 1909

DEPOSITS

DEMAND DEPOSITS

Balance in Savings, Current Accounts (Held by Public in Commercial Banks)

→ ∵ They are payable by the bank on demand from the Account holder.

TIME DEPOSITS

Fixed Deposits
Have a fixed Period of maturity

An Aspirant !

FLAT MONEY: Currency Notes + Coins
∵ They do not have any Intrinsic value like Gold/Silver.

DEMONETISATION: RBI is empowered to make a recommendation to GoI to withdraw any notes from circulation.

INDIAN CURRENCY

₹ → Symbol designed by Udaya Kumar, a post Graduate in Design from IIT BOMBAY.

HISTORY

The Process of Issuing Paper currency → started in → 18th century.

↳ Pvt. Banks - Bank of Bengal, Bank of Bombay, Bank of Madras - first printed paper Money.

Paper Currency Act 1861 - GoI ← Monopoly to print currency.

RBI → Formation → 1935

↳ First Paper Currency issued by RBI - Jan (1938)

↳ Rs. 5 Note.

↳ Had the portrait of George VI.

RBI Act 1934 ← RBI had the sole right to issue bank notes of all denominations.

+

GoI → Mint → Coins

But RBI acts as an agent of Govt. which merely distributes the coins in the market.

- Small & Large Rupee Coins → GoI
- Rs. 1 Banknote → GoI (signed by Finance Secretary)
- Banknote above Rs. 1 → RBI (signed by RBI Governor)

NOTES PRINTING PRESSES-

SALBONI (E.I.)
NASHIK (W.I.)
DEWAS (C.I.)
MYSORE (S.I.)

COINS- MINTS-

MUMBAI, NOIDA, KOLKATA, HYDERABAD

An Aspirant !

PUBLIC FINANCE

- MEANING
- TYPES OF BUDGET
- BUDGET DEFICIT - TYPES
- DEFICIT FINANCING - TYPES
- PUBLIC DEBT
- FRBM Act, 2003

- FISCAL POLICY
- BUDGET
- COMPONENTS OF BUDGET
- FUNDS

MEANING

FINANCES OF THE GOVT.

GOVT. → Proper Flow of Money → Functioning.

Needs Money → Pay Salaries, Pensions
Build Roads, Schools, Hospitals
Welfare Schemes
Pay for Imports

PUBLIC FINANCE = GOVT. RECEIPTS + GOVT. EXPENDITURE

↳ maintained by GOVT.

BUDGET

⇓

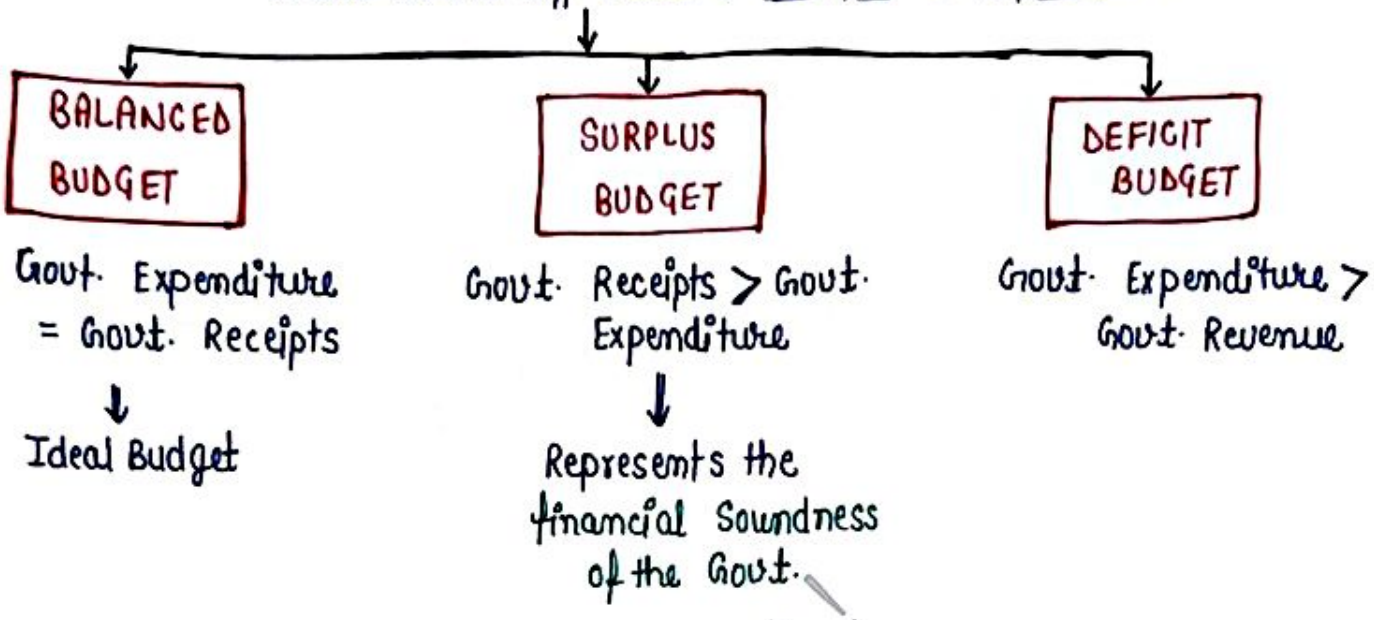
Not Mentioned anywhere in the Constitution

- Article 112 → Annual Financial Statement.
- General Budget + Railway Budget
  Merger
- on the recommendations of Bibek Debroy Committee
- Detailed Demands for Grants.

An Aspirant!

TYPES

(Based on the diff. between Receipts & Expenditure)



OUTCOME BUDGET

GENDER BUDGETING

PERFORMANCE BUDGET

ZERO-BASED BUDGETING

— x — x — x — x —

An Aspirant !

OUTCOME BUDGET → Introduced in 2005

- Analyses the progress done by each Ministry & Deptt. of govt. against its budget outlay.
- Outcome → Measure → Physical Terms.
  e.g. Road Ministry → Km ?
  Roads.

GENDER BUDGETING →
- Involves Gender-Based Assessment of the Budget.
- Focus → To promote Gender Equality.
  ↳ Govt. → Amount to be spent on the welfare & empowerment-related schemes for women.

PERFORMANCE BUDGETING →
- Measures - the performance of the Schemes in the last fiscal year & uses the data for the allocation & management of the govt's financial resources.
- Helps in increasing the efficiency & effectiveness of public expenditure.

ZERO BASED BUDGETING → 1924 → By British Budget Authority Edward Hilton Young.

↳ EXPENSES to be justified for each New Period.

every function of the govt. is analysed for its needs & cost.

↳ Should we spend?
How much should be spend?
Where should we spend?

↳ Every Activity of each department is 'X-Rayed'
↳ Justification → Allocation

An Aspirant

DEFICIT BUDGET

GOVT. EXPENDITURE > GOVT. REVENUE — Borrow

TYPES:

- **REVENUE DEFICIT →** Total Revenue Expenditure − Total Revenue Receipts

RECEIPTS — REVENUE (Tax, Non-Tax Revenue)
CAPITAL (creates Liability)

EXP. − REVENUE (Salaries, Pensions, Subsidies)
CAPITAL − For creation of Capital Assets & social welfare of the people.

- **FISCAL DEFICIT →** Total Expenditure − Total Receipts
  (Revenue + Capital) — Excluding Borrowings — (Revenue + Capital)

LESS

I) 1000 − 800 = 200
II) 1000 − 1000 = 0? ∟ Borrowings − Exclude
Identify?

- **PRIMARY DEFICIT →** FISCAL DEFICIT − Interest Payments
  on earlier borrowings.

(200 − 20)
180 ← Interest
ACTUAL DEFICIT

- **MONETISED DEFICIT →** Represents the increase in the RBI credit to the Union Govt.

Represents → The Expansion in Money by the RBI.

Monetary support that the RBI extends to the Center as part of the govt's borrowing programme.

Purchase of the govt. bonds by the Central Bank to finance the speeding needs of the govt.

An Aspirant

PUBLIC DEBT

Sum of Total Borrowings

1000 - 800 = 200
Govt. E − Govt. I. = Deficit

① Need to Borrow
why?
To run the Economy.

② How to arrange it?
Who will give us this money?
The PROCESS OF ARRANGING THIS DEFICIT
DEFICIT FINANCING

PUBLIC DEBT
SUM OF TOTAL BORROWINGS

INTERNAL BORROWINGS

Loans raised within the boundaries of a country.

1. Individuals : Through Bonds & Treasury Bills.
2. Central Bank
3. Commercial Banks : SBI, PNB
4. NBFI : LIC

EXTERNAL BORROWINGS

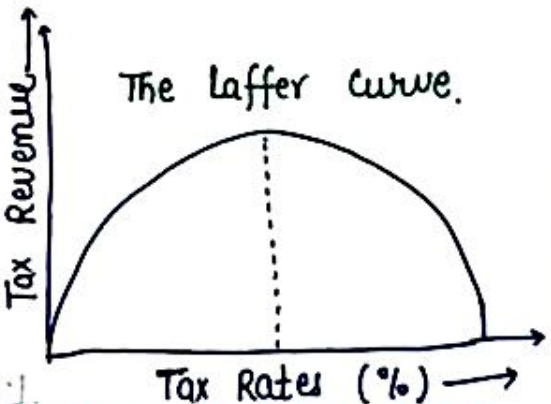
Outside the boundaries of a country.

1. Foreign Govt: Any Foreign country.
   India ← Loan Japan
   To finance the Bullet Train Projects between Mumbai & Ahmedabad.
2. Int. Institutions: WB, IMF, ADB.

An Aspirant!

NEED ?

Govt. Income − Direct & Indirect Tax
Can not raise taxes beyond a certain limit due to Laffer curve.
∴ Deficit → Borrow
Sometimes unforeseen circumstances - War, COVID-19
Economic Activities ↓
Tax Collection ↓
∴ Borrow → Situation



The Laffer curve.

5 LAKH - 7%
8 LAKH - 10%

Tax Collected ↓ if Tax Rates ↑
↳ Tax Avoidance
Tax Rates ↓ - More citizens will come under Tax Net.

Diff. Aspects

POSITIVE

Loan → For infrastructure Projects

Created a Multiplier effect on the economy.

How?

Infrastructure Project →
- Employment
- ↓ logistics Cost of Transportation
- Economy will attract further Investment for another similar project.
- Production Efficiency
  - ↓
  - Labour skills improve

NEGATIVE

- Inflation
  - Govt. —Public Debt→ Revenue + Capital Exp.
  - will ↑ the Money supply in the Economy
  - Demand ↑ for Goods & Services.
- PUBLIC WELFARE SCHEMES
  - Do not have any Economic Return
    - ↓
    - will become a tax Burden on future Gen.
    - [∵ the loan with interest need to be paid back in the future.]
- Compromise in the Sovereignty.
  - Financial Institutions — will dictate their own terms & try to influence the policy in return.

An Aspirant !

LIABILITIES OF THE GOVT.

ASSETS

- That provide future Economic Benefit.
- Put Money in your Pocket.

LIABILITIES

- Responsibilities.
- Money that you owe to others.
- Liabilities take money out.

- PUBLIC ACCOUNT LIABILITIES
- DEBT TO GDP RATIO

PUBLIC DEBT: Total Liabilities of the central Govt.
charged from CFI. (Interest)
- → EXTERNAL
- → INTERNAL

Central Govt. - External & Internal
State Govt. - Internal Debt
└ External ← Central Govt. Permission.

FRBM ACT, 2003 → Sets limitation on Amount of Debt that can be taken by both the Govt.

Fiscal Responsibility & Budget management Act, 2003.

An Aspirant!

PUBLIC ACCOUNT LIABILITIES → Liabilities in Public Account

↳ PF (Provident Funds).
NSSF (National Small Saving Fund)

- Have to be paid back at some time to their rightful owner.
- Does not belong to the Govt.

DEBT TO GDP RATIO → $\frac{\text{Total Debt of a Country}}{\text{Total GDP of a Country}}$

↑ Ability of a Country to pay back its outstanding debt.

Higher this Ratio, less likely the country will pay back its debt.
Higher the risk of Default.

Production → (?%) → Loan Pay back

$\frac{70\ C.}{100\ C.}$ = Means 70% of Production → LOAN

Practical → NO

↑ RATIO, ↑ Risk of Default

$\frac{20\ C}{100\ C}$ = Means 20% of Production → LOAN

Practical ✓

FRBM Act → DEBT | GDP RATIO should be around 60%
40% → Central Govt.
20% → State Govt.

An Aspirant !

DEFICIT FINANCING

The Practice of Raising Funds to offset a deficit generated by an excess of expenditure over receipts.

Govt. E. - Govt. I. = Deficit

↖ The Practice of Raising Funds

Spending increases rapidly.

Spending - Non Productive & Non-Dev. Activities.

* Helps Underdeveloped countries to meet their Liquidity Needs.

TYPES →
* Borrowings from Foreign Govt. → External Loans considered an erosion of nation's sovereign decision Making.
* Internal Borrowings → Preferred Management Route.
* Printing currency → Money supply ↑ Inflation.

MONETISATION OF DEFICIT:

DIRECT MONETISATION

RBI Prints New Currency

↓

till 1997

↓

* FRBM Act, 2003

INDIRECT MONETISATION

OMO

Financial Market - Purchases Govt. securities & Bonds.

An Aspirant!

DEFICIT FINANCING

GOOD? ←
- Strengthens the govt.'s financial position.

→ BAD?
- causes Inflation
- Money's Purchasing Power may deteriorate.

FRBM ACT, 2003

Provides the targets for Fiscal Consolidation in India.

- To reduce Fiscal Deficit & Debt Accumulation.
- One of the Most Crucial indicator of govt. financial Health.

ACT,

- Maintain Fiscal Discipline
- Improve Management of Public Funds.
- Reduce Fiscal Deficit

RECOMMENDATIONS OF 15th FINANCE COMM. →

- Central Govt. should reduce its Fiscal Deficit to 4% of GDP by 2025-26 against 6% 6.8% in FY 2022
- Fiscal Deficit of State Govt. should be –
  - 4% of GDP – 2021-2022
  - 3.5% of GDP – Following Year
  - 3% – For the Next 3 Years.

15th FINANCE COMMISSION – Submitted its report for the Period – 2021-22 to 2025-26

- N. K. Singh ← Finance Commissioner
- Constitutional Body
  - Article 280: FC
  - Article 281: Recommendations to the FC

- Introduced in Parliament in 2000 by ABV Govt.

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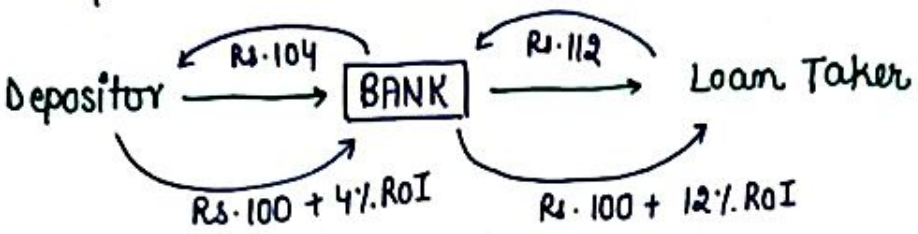
BANKING IN INDIA

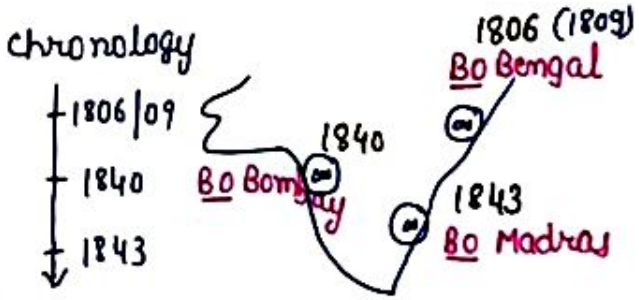
BANK → An establishment authorised by govt. to accept deposits, pay interest, advance loans & provide other financial services to its customers.



Bank's Spread → Rs. 8 | 8%

HISTORY

- World's First Bank (still existing) → Banca Monte dei Paschi di Siena, HQ → Siena, Italy, 1472
- World's First Bank (Non existing) → Medici Bank, 1397, Italy
- India's First Bank → Bank of Hindostan, 1770, Kolkata.
- 3 Presidency Banks →
  - Bank of Kolkata (Calcutta) – 1806 ↓
  - Bank of Bengal – 1809



- 1921 → with the Merger of 3 Presidency Banks → Imperial Bank of India → 1955 – SBI
- 1st Non-Presidency Bank → 1865, Allahabad Bank
- 1st Partially Managed Bank → OUDH COMMERCIAL BANK, 1881, Faizabad, UP

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- 1st Completely owned Indian Bank → PNB, 1894 ~ Lala Lajpat Rai, Lahore, Pak.
- First Swadeshi Bank → Central Bank of India, 1911, Mumbai
- Bank inaugurated by MG → Union Bank of India, Mumbai, 1919
- First Overseas Bank of India → Bank of India, 1906, Mumbai
  ↓
  First Branch in London, 1946

HISTORY OF BANKING IN INDIA

PRE-INDEPENDENCE PHASE (TILL 1947)

India → Independent
RBI + other Banks → Pvt. sector
1948 – Worst Bank failures due to Prudential Issues.
RBI – Nationalised – 1949
Banking Companies Act, 1949
14 Commercial Banks – 1969] Nationalised.
6 " " – 1980]

RRB's – 1975
with a view to develop Rural Economy
↳ Credit → Small & marginal farmers, Agricultural Labourers, Artisans.

EXIM → 1982
NHB → 1988
SIDBI → 1990

POST INDEPENDENCE PHASE – I (1947-1991)

POST INDEPENDENCE PHASE-II (SINCE -1991)

BoP Crisis – 1991
↓
Multiple Financial sector Reforms
↓
Committee → M. Narasimham Committee
↓
Allowed the entry of Private sector Banks into Indian Banking sector.
↓
To make banking sector more competitive.

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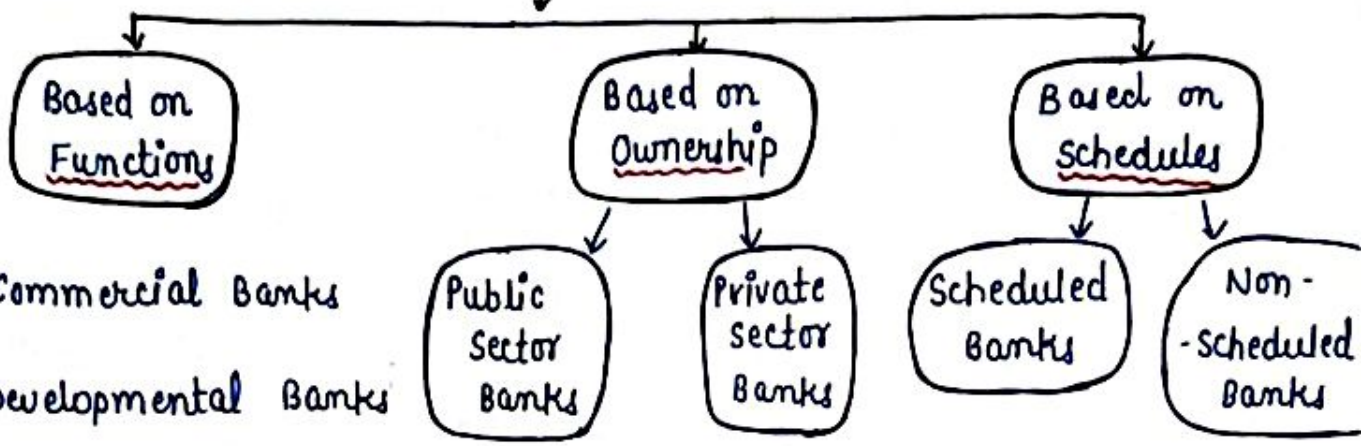
CLASSIFICATION OF BANKS



- Commercial Banks
- Developmental Banks
- Co-operative Banks
- Specialised Banks
- Differentiated Banks
- Central Banks

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BASED ON FUNCTIONS:

- COMMERCIAL BANKS → Oldest & largest Banking Institutions in India.
  - Regulated & Managed by RBI under Banking Regulations Act, 1949
  - Accept Deposits, Lend Money
  - Profit → 'Spread'
  - Formed with the intent of making profits.

Scheduled Commercial Banks	Non-Scheduled Commercial Banks
2nd Schedule of RBI Act, 1934	Not
Eligible for low interest loans from RBI.	Not except in emergency or 'abnormal circumstances'

example → J & K Bank

CLASSIFICATION OF SCB's →

PUBLIC SECTOR BANKS

51% share - RBI / Govt.
Nationalised Banks
(12)
Examples - SBI,
Union Bank of India,
Canara Bank
etc.

PRIVATE SECTOR BANKS

Private Shareholders
↓
Majority
(21)
Axis Bank,
Yes Bank,
ICICI.

FOREIGN BANKS

Have Branches in India but are Hqed in foreign country.
e.g.
CITI Bank,
HSBC Bank.

REGIONAL BANKS

Central Govt. (50%)
State (15%)
Sponsor Bank (35%)
They serve the rural areas.
(43)

* **DEVELOPMENT BANKS** → Financial Institutions engaged in promotion & dev. of industry, agriculture or other key sectors.
  * Provide medium & long term loans for the same.
  examples → IFCI - Industrial Finance Corporation of India.
  SFC's - State Financial Corporations

* **SPECIALISED BANKS** → Banks catering to specific Needs.
  Examples → EXIM Bank,
  SIDBI,
  NABARD.

* **CENTRAL BANK** → Supervises, Controls & Regulates the activities of all country's Commercial Banks.
  India → RBI.
  Reserve Bank of India.

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* **DIFFERENTIATED BANKS** → Banking Institutions Licensed by the RBI to provide specific Banking Services & Products.

↑ * Different from usual universal Banks

* Nachiket Mor Committee

↓

can extend almost all Bank Products & services to their customers.

* Licensed by RBI in 2015 to promote financial Inclusion.

Payment Banks

* Acceptance of Demand Deposits only.
* Issuance of ATM / Debit cards only. Cannot issue credit cards.
* Examples → Airtel PB India, PPB, Paytm PB
* No loans can be offered.

Small Finance Banks

* Acceptance of all kinds of deposits.
* can issue both credit & debit cards.
* Examples → Ujjivan Small Finance Bank, AU Small Finance Bank
* can offer.

* India → currently → (6) Payment Banks + (11) Small Finance Bank

* **COOPERATIVE BANKS** → People who come together to jointly serve their common interest often forma Co-operative Society

↑

under Co-operative Societies Act

↓

when a co-operative society engages itself in the banking business → Co-operative Banks

↓

Registered under co-operative Societies Act, 1912.

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TYPES →

Rural Region →

- Primary Credit Societies → **PACS** → Village | Town Level
- Distt. Central Co-operative Banks → **CCBs** → District Level
- State Co-operative Banks → **SCBs** → States
  Apex (Highest Level)

Urban Region → **UCBs** → Urban Co-operative Banks → Located in Urban | Semi-Urban Areas.

BASED ON OWNERSHIP →

PUBLIC SECTOR BANKS

Majority → Held by GoI | RBI.
examples → SBI, Canara Bank etc.

PRIVATE SECTOR BANKS

Majority → Private Individuals.
examples → ICICI, Kotak, AXIS etc.

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BASED ON SCHEDULES →

Scheduled Banks

- Listed in the 2nd Schedule of RBI Act, 1934
- All Nationalised Banks.
- Can borrow from RBI.
- CRR to be maintained with RBI.

Non-Scheduled Banks

Not listed

- Cannot
- CRR to be maintained by bank itself.

RBI

- Central Bank of the Country
- Regulator of Banking System in India.
- Holds apex position in banking structure.
- Also called the Monetary Authority of India.
  ↑
  That manages the currency & monetary policy of a Nation.
- Set up on the recommendation of Hilton Young Committee.
- Statutory Status – RBI Act, 1934
- Became operational on – 1 April, 1935

STRUCTURE → Governed by a Central Board of Directors.
↳ max. of 21 Members.

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FUNCTIONS

- **Monetary Authority**
  Formulates, implements & monitors monetary Policy to regulate the Money Supply & Credit Creation in India.
- **Issuer of Currency**
  Issues / Exchanges / Destroys currencies / coins not fit for circulation
- **Lender of the Last Resort**
  In times of difficulty & financial crisis
- **Banker's Bank**
  Maintains Banking Accounts of all scheduled Banks.
- **Regulator & Supervisor of the Financial System**
  Banking operations –
  RBI Act, 1934
  Banking Regulations Act, 1949
- **Manager of Foreign Exchange**
  Foreign Exchange Management Act, 1999
  to facilitate External Trade etc.

NON - PERFORMING ASSETS

NPA is when asset ceases to generate income.
↳ Anything that generates income for us in future.

ASSETS

- That provide future Economic Benefits.
- Puts money in your pocket.

e.g. House, Cash

LIABILITIES

- Responsibilities.
- Money that you owe to others.
- Liabilities take money out.

In this case, cash is generating income (interests) for Banks.
↳ Asset for Banks.

- NPA are those loans that has stopped making interest / principal for over 90 days

1st Jan 2000 —— wait for 90 days →
Jan + Feb + March → 31st March 2000
(31) (29) (31)

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CLASSIFICATION OF NPA'S

SUB - STANDARD ASSETS → An Asset which remains NPA for less than / equal to 12 Months

DOUBTFUL ASSETS → An Asset which remained in the above cat. for 12 Months.

LOSS ASSETS → When the bank have identified the loss, but it has not been written off.

LOAN → NPA → SSA → DA → LA

NPA CRISIS IN INDIA →

Gross NPA's of Bank (as a %age of total loans) ↓

2008 - 2.3%
2017 - 9.3%

2018 → Volume of NPA's in Economy → Rs. 10.35 lakh crore

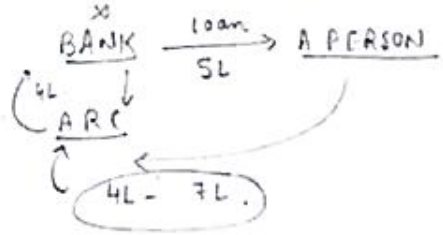
85% of these NPA's — are from Loans & Advances of PSB's

Various Reasons for Rising NPA's in India →

1. Borrowed funds are not utilized for the purposes for which they have been borrowed.
2. Frauds
3. A Business Failure
4. Recession

TACKLING OF NPA CRISIS IN INDIA →

1. Debt Recovery Tribunals. → DRAT - 1993 → To speedily recover dues of Rs. 10L & Above.
2. Credit Info. Bureau, 2000 → Borrower's financial Health - Banks (CIBIL)
3. Lok Adalats, 2001 → Helpful in Recovering Small Loans.
4. SARFAESI ACT, 2002 - The Securitization & Reconstruction of Financial Assets & Enforcement of security Interest Act, 2002
5. Asset Reconstruction Companies, 2002.
6. MISSION INDRADHANUSH, 2015
7. Insolvency & Bankruptcy code, Act 2016
8. Bad Bank
9. Corporate Debt Restructuring → 10L → 7% → 5Y.
   Changing the terms & conditions → Change



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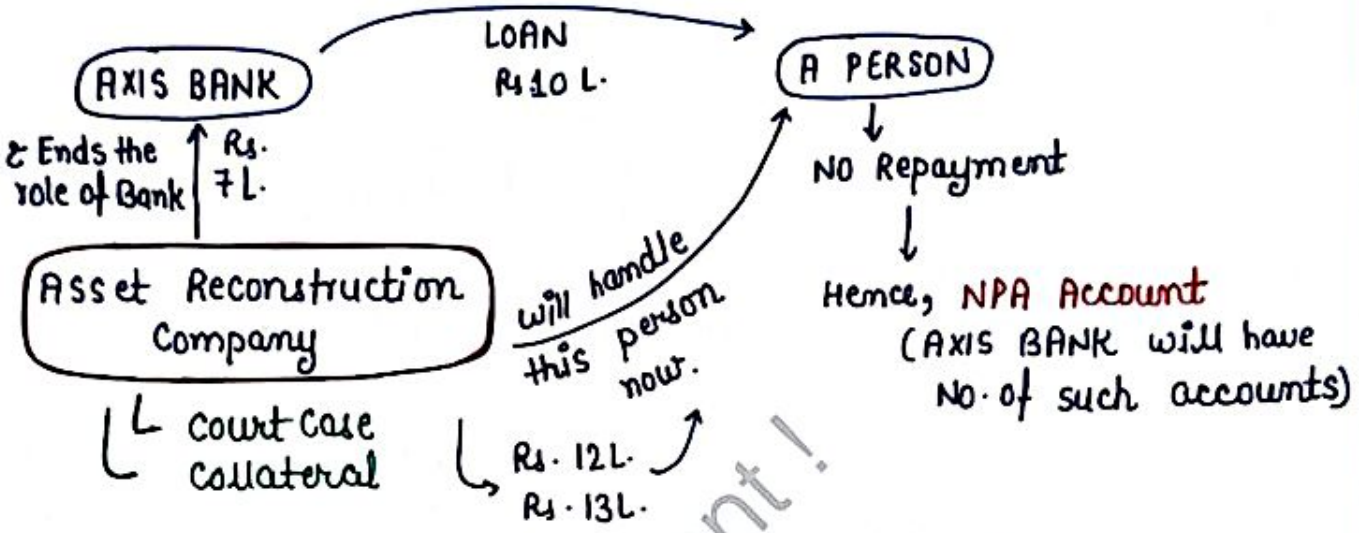
BAD BANKS

* Bad Banks are Asset Reconstruction Companies which buys bad loans of commercial banks, manages them & sell in the market & recover money.



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ARC's → Helps the banks to ease out their NPA + To clean their Balance Sheets

B/S

L	A
	NPA
	NPA

* How is it Diff. from Commercial Banks?
  - They do not accept deposits
  - Not allowed to issue cheque books.
  - Not required to maintain CRR & SLR.

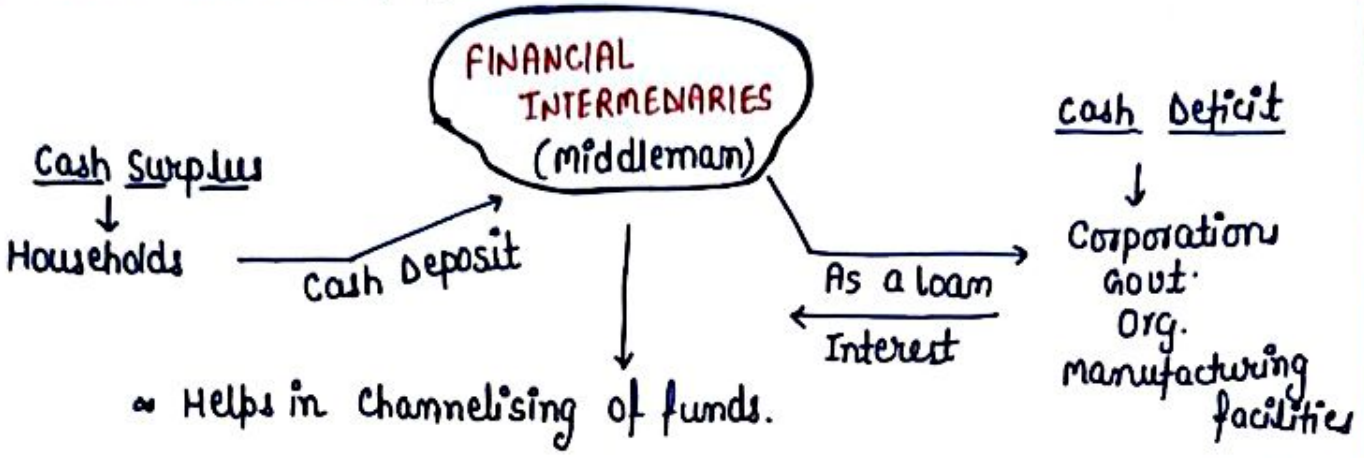
Budget 2021 → proposed a Bad Bank like structure To better NPA's

BAD BANKS
- National Asset Reconstruction Company Ltd. (NARCL) (will aquire the NPA's from Commercial Banks)
- \+
- India Debt Resolution Company Ltd. (IDRC) (will manage these Assets + Try to raise their value for final Resolution)

PSB - 51% ownership

SHADOW BANKS

* Financial Intermediaries which do not fall in the category of Banks but still perform the same functions.



* Helps in Channelising of funds.

- The term 'Shadow Bank' coined by - Paul McCulley in 2007
- Bank like Activities (mainly lending) - outside the traditional banking sector.

Financial Intermediaries
- Banks ↑ Regulated by RBI
- Non Banking Financial Companies (Shadow Banks)

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Banks	NBFC
Banking Regulation Act, 1949	Companies Act, 1956 — Incorporation ↓ Now Companies Act, 2013
Accepts all types of Deposits	— × — DD
Allowed up to 74%	Allowed up to 100% - Foreign Investment

Both - Similarity
- Lending

* Department of Non-Banking Supervision of RBI (DNBS) → Regulates & Supervises RBI NBFC's under RBI Act, 1934

EXIM BANK: Export - Import Bank of India
Specialised Financial Institution.
Formation - 1982
HQ - Mumbai
Primary Fxn. - To finance, facilitate & promote int. trade.
Owned by GoI
EXIM Act, 1981
└ statutory status

SIDBI: Small Industries Dev. Bank of India
Apex Regulatory Body for over Licensing & Regulation of MSME's in India.
Under ministry of Finance.
Formation → April 2, 1990
HQ → Lucknow
Established in 1989 by an Act of Parliament.

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NABARD: National Bank for Agriculture & Rural Dev.

Formation → 12 July 1982

Entrusted with 'matters concerning policy, planning & operations — agri. & other Economic activities in Rural India.

HQ → Mumbai, MH

& Supervision of RRB's

IDBI: Industrial Dev. Bank of India.
Formation - 1 July, 1964
Owner - LIC + GoI
To provide financial services to industrial sector.

NHB: National Housing Bank
- Under Ministry of Finance.
- Regulatory Body for overall licensing of Housing Finance Companies.
- Set up in - 1988, July 9 under NHB Act, 1987
- Apex Financial Institution for Housing.

Amended by Finance Act, 2019
Power of Regulation of Housing Finance Companies → RBI

- HQ → New Delhi

IFCI: Industrial Finance Corporation of India.
- Established in - 1948
- Provides financial support for the diversified growth of industries.

IIBI: Industrial Investment Bank of India
- (1971 - 2012)
- Dev. Financial Institution.

LAB: Non-Scheduled Commercial Banks
Jurisdiction - over 2/3 Distt.

(3) LAB -
Coastal LAB Ltd.
Krishna-Bhima Samruddhi LAB Ltd.
Subhadra LAB Ltd.

- Registered under Companies Act, 1956

SBI: 1955, Mumbai

PNB: 1894 (Lahore), New Delhi

UCO: 1943, Kolkata
[United Commercial Bank Ltd.]

HDFC: 1994, Mumbai

ICICI: 1994, Mumbai (Industrial Credit & Investment Corporation of India)

AXIS BANK: 1993, Mumbai

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RRB's

- Financial Institutions which ensure adequate credit for agriculture & other rural sector.
- Created to serve rural areas with basic banking & financial services.
- Established in 1975 under the provisions of ordinance promulgated on 26th Sep. 1975 & RRB Act, 1976 ('Narasimha Committee on Rural Credit')
- Identified as Scheduled Commercial Bank with RBI Act, 1934 & are authorised to transact banking business as defined in Banking Regulation Act, 1949
- Ownership → State Govt (15%)
  → Central Bank (50%)
  → Sponsored Bank (35%)
  ↳ Each RRB - SB provide consultancy & training programmes for the employees.

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FEATURES

- Scheduled Commercial Bank
- Regarded as Cooperative Society for the object of Income Tax Act, 1961
- Under the control of 2 Institution: NABARD & RBI
- operation - restricted to specific region
- Lending Rate < Cooperative societies of that State

FUNCTIONS → ① Providing financial Assistance to rural artisans, MSME'S & agricultural farmers.

② To provide financial services — to all the customers
└ irrespective of their level of income.
↓
will bring social equity
as the services are being provided to every stratum of society.

ISSUES CONCERNED →

① GOVERNANCE STRUCTURE: Multi Agency Control

② RISING COST: Many of these branches don't have enough business → Loss
∴ Cost of Operation ↑

③ Low Internet Banking → only 19 RRB's – Internet Banking Facilities.

GOAL: To bring Rural India into the economic mainstream, as Rural India accounted for roughly 70% of the Indian Population.

1st RRB → Prathama Bank
└ HO – Moradabad, UP
Sponsored by – Syndicate Bank

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BASEL NORMS

BASEL → City in Switzerland
Also the HQ of BIS
(Bank for Int. Settlement)
one of the oldest financial institution.
Formation - 17th may 1930
2 Representative offices - Hong Kong & Mexico City.

BASEL → Governor's of 10 Bank's (of 10 Countries) (Central)
Meeting
↳ BCBS
BASEL COMMITTEE ON BANKING SUPERVISION
IN 1974

OBJECTIVE: To ensure that financial institutions have enough capital to absorb unexpected losses.

BCBS → BASEL I
BASEL II
BASEL III
} 3 Guidelines of BASEL committee

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BASEL NORMS
(3) AIMS

- Banks - strong to withstand Economic & financial stress
- Reduce Risks in the System
- Improve Transparency in the Banks

* **RWA:** Loans of Banks indicating Risk.
  - Used to determine the min. Amount of capital a Bank must hold in relation to risk profile of its lending activities.

↓

Risk weighted Assets

* **CAR | CRAR:** Capital Adequacy Ratio
  Capital to Risk weighted Asset Ratio

$$\text{Formula} = \frac{\text{Total capital}}{\text{RWA}} \times 100$$

Total Capital of the Bank means = Assets - Liabilities.

It is a measure of how much capital a bank has available, as a %age of RWA.

↳ Purpose is to establish that banks have enough capital on reserve to handle a certain amount of losses, before being at risk for becoming insolvent.

Risk in HL - 50%
Risk in GoI - 0%
Risk in Gold Loan - 10%

	Risks
HL - 1 Crore	- 50 lacs
GoI - 1 crore	- 0
Gold Loan - 1 crore	- 10 lacs
Total - 3 crores	- 60 lacs ✓

Risk

RBI → CAR → 9%
maintain

$$CAR = \frac{TC}{RWA} \times 100$$

$$TC = \frac{RWA \times CAR}{100} = \frac{9 \times 60 \text{ lacs}}{100} = 54 \text{ lacs} \checkmark \text{ Maintain over 3 crores}$$

(LOAN ₹)

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BASEL-1

* Focussed entirely on **Credit Risk.**

↑ Possibility of a loss resulting from a borrower's failure to repay a loan.

1988 ← Basel Capital Accord (Basel 1)

CAR = 8%

India adopted it in - 1999

BASEL-2

Introduction → 1999
Directives → 2003
Applied → 2006
Applied in India → 2009

CAR = 8%

3 types of Risks

- Operational Risk
  - Internal Process → Employees → Fraud
- Market Risk
  - Due to fluctuations in the market. e.g. Flood, Corona.
- Capital Risk
  - Investment → No Repayment

BASEL-3

Introduced in → 2010

CAR = 10% - 14%

↑ Hence, banks will be able to absorb more loss.

Applied in → 2013

At present, India follows → BASEL-2 Norms.

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FINANCIAL INCLUSION

- Process of ensuring access of financial services & products to vulnerable groups (weaker sections) & low income groups at an affordable rate.

REASONS for Financial Exclusion

- Lack of Awareness of financial services.
- Lack of surplus Income
- Lack of required documents to avail the services.
- Remoteness of unserved population.

Challenges towards Financial Inclusion in India

- Inadequate Infrastructure
  - Himalayan region, NE Region.
- Poor Connectivity
  - Poor Internet Connectivity creates digital divide
- Security Concerns
  - Public concerned about frauds

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COMMITTEES ON BANKING SECTOR REFORMS

LPG Reforms - 1991
Supplemented with Banking & financial sector Reforms.

Narasimham committee - I
Narasimham committee - II
↑
13th Gov. of RBI

* NARASIMHAM COMMITTEE - I (1991) → Committee on Financial System

③ Major Changes →
- Operational Flexibility
- Internal Autonomy for the Banks in their decision making Process.
- A greater degree of professionalism in banking operations.

MAJOR RECOMMENDATIONS:

- Reduction in CRR & SLR.
- More freedom to Banks → To improve their working.
- Establishment of the ARF Tribunal → Asset Reconstruction Fund Tribunal.
  ↳ To get rid of bad & bad debts
- Structural Reorganisation of the Banking sector →
  Committee recommended a substancial reduction in the no. of public sector Banks through Mergers & Acquisition.
- Phasing out directed credit programme →
  → To reduce profitability of the Banks. & to embark financial products & services to needy & poor sections at concensional rates of interest.
- Interest Rate Determination →
  Eliminating govt. control over interest rates.

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NARASIMHAM COMMITTEE II → Banking Sector Committee.
(1998)

Recommendations:

- Stronger Banking System → Merger of Banks.
- CAR → Proposed that govt. should raise CAR.
- NPA's → Formation of ARC's
  SARFAESI Act, 2002
  The Securitisation & Reconstruction of Financial Assets & Enforcement of Security Insterest Act, 2002.
- Reform in the Role of RBI → RBI should only be Regulator & should not hold any ownership in any bank.
- Narrow Banking → To tackle NPA's funds → Short term & Risk Free Assets.

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FINANCIAL MARKETS

- MEANING
- SECURITIES
- TYPES OF FM (tenure) — MONEY MARKET / CAPITAL MARKET

- MONEY MARKET — MEANING
  INSTRUMENTS — GOVT. (T-BILLS, CMB, WMA) / FIRMS (C-Paper, Trade Bills) / FINANCIAL INSTRUMENT (CoD, Call Money & Notice Money)
- MONEY MARKET — ORGANISED MARKET / UNORGANISED MARKET
- RELATIONSHIP B/W BOND PRICE & RETURNS
- CAPITAL MARKET — MEANING
  PRIMARY MARKET / SECONDARY MARKET
- INSTRUMENTS OF CAPITAL MARKET — Bonds (Debentures) / Shares / IPO / FPO / Preferential Issues
- BONDS - Types.
- TYPES OF FM (settlement) — Future Market / Spot Market.

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FINANCIAL MARKETS

- Place / System that provides buyers & sellers the means to trade financial instruments.
  (bonds, equities).
- Facilitates the interaction between those - who need capital & those - who have capital to invest.
- Platform where money is being collected from the surplus unit & lend to the deficit unit.

Money → Always flows from surplus sector to deficit sector.

FINANCIAL MARKETS

Bringing Investors & Borrowers together.

INVESTORS
- Lenders
- who have surplus Money.

FINANCIAL MARKETS
Banks & other financial Institutions

BORROWERS
- Govt.
- Companies.

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- Transmission Mechanism between investors & borrowers through which fund tx. is facilitated.
- Provides security while dealing with financial Assets.
  └ Transactions — without fear of theft or fraud.

SECURITIES

- Tradable financial instruments used to raise capital in public & private markets.
- A certificate / other financial instrument that has monetary value & can be traded.
- offered to raise funds from investors.

(Stocks, Bonds, mutual Bonds ← examples)

EQUITY

- Represents ownership held by a shareholder in an entity. (Partnership, Trust)
- Gets dividends from funds.
- Entitle to a vote at the annual general meeting.

DEBT

- Represents a borrowed money that must be repaid.
- Gets principal & interest irrespective of company making Profits & loss.
- No right of vote.

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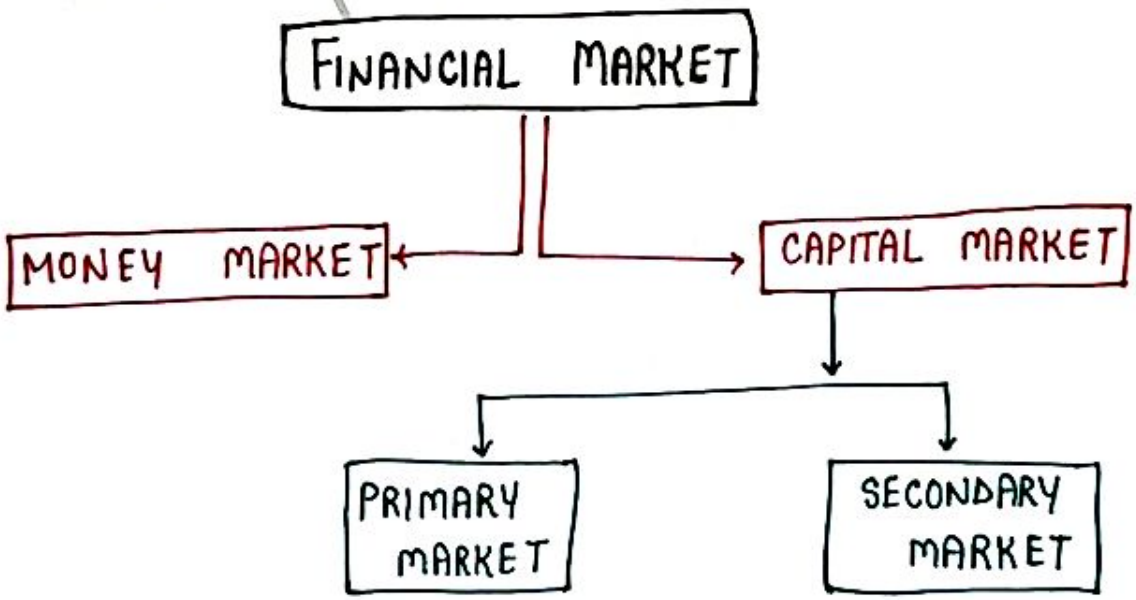
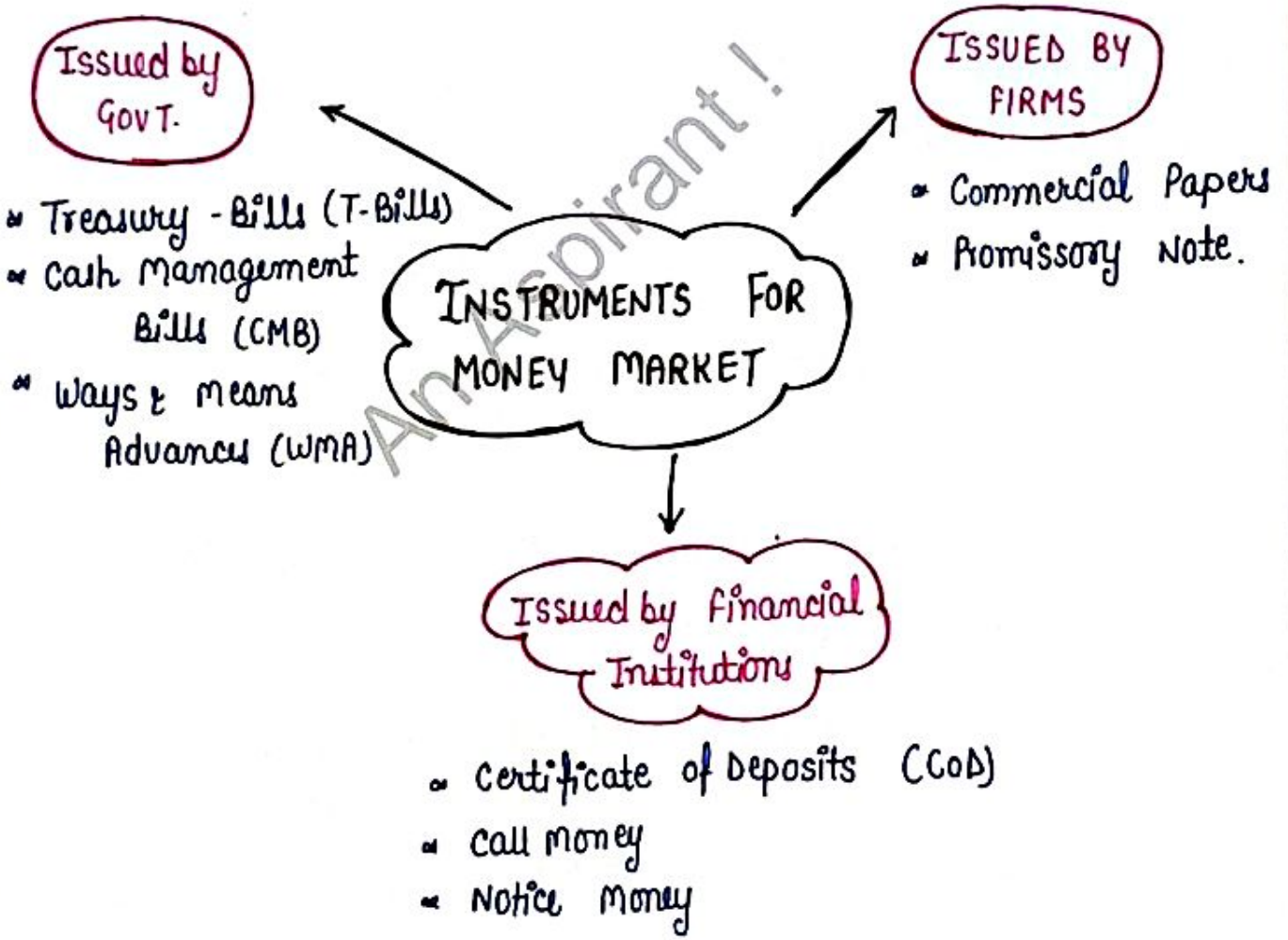


MONEY MARKET

- Short-term Funds (Having maturity up to 1Y or less)
- Major Regulator - RBI.
- Funds are raised for short term Needs.
  - Working capital Requirements.
- Less Risk due to less maturity period.
- Debt Security. [Equity security → Capital market
- Lesser Return in Money market.
- Instruments → T-Bills, Commercial Papers, Certificate of Deposit.



- Treasury - Bills (T-Bills)
- Cash Management Bills (CMB)
- Ways & means Advances (WMA)

- Commercial Papers
- Promissory Note.

- Certificate of Deposits (CoD)
- Call Money
- Notice Money

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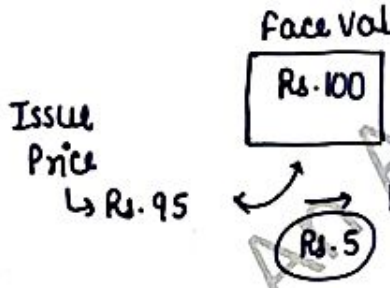
ISSUED BY GOVT.

TREASURY BILLS (T-BILLS) →

- Issued by RBI on behalf of govt. [central Govt.]
- Issued to fulfill short term liquidity requirements.
- Issued at discounted value. (A price less than their face value)
- Repaid at face value.

Face Value − Issue Price = Interest on the investment.

- SECURED INSTRUMENTS.
- Issued for a period not exceeding 364 days.
  14-days, 91-days, 182 days, 364 days.



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CASH MANAGEMENT BILL →

- Introduced in 2010
- Sold by RBI on behalf of govt (central govt)
- To raise money for the temp. needs of the govt.
- Similar to T-Bills but the tenure is less than 91 days.

* **WMA:**
  - Ways & Means Advances.
  - Temp. loan facility to the Central & State Govt.
  - Introduced in 1997
    To meet mismatches in the receipts & payments of the govt.
  - Maturity - 90 days.
    Interest is charged at - Prevailing Repo Rate.
  - If WMA exceeds 90 days → Repo Rate + 2%.
    ↑
    It would be treated as overdraft.

ISSUED BY FIRMS

COMMERCIAL PAPERS

* Unsecured Promissory Note
* Issued by high net worth companies.
* Introduced in 1990
* maturity → 15 Days to 1 year.
* Issued in multiple of Rs.5 lakh.
  └ subject to minimum of Rs.25 lakhs.
* Issued at discount to face value.

PROMISSORY NOTES

* Debt instrument that contains a written promise by one party to pay another party, a definite some of money.

Traders → wholesalers

Ask for credit

Promissory Note - As a proof.

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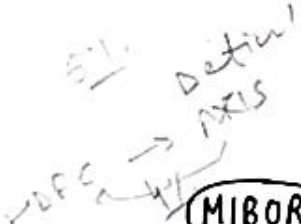
Issued By Financial Institutions

* **Certificate of Deposits** → * Issued by Commercial Banks to raise Short-term funds.
  * Issued in multiples of 5 lakh & Min. Value → Rs. 5 lakh.
    Time Period → 7 days to 1 year.
  * Negotiable & Tradable in Money market.
  * Issued in dematerialised format.
  * Can be issued to – individuals, Corporations, Companies & NRI's also.
  * Issued at discount & redeemed at face value.
  * 2021 → RRB's are also permitted by RBI to issue CODs.

* **CALL MONEY & NOTICE MONEY** → * Inter Banks Fund Market.
  * Banks borrow & lend money from each other on a day-to-day basis requirement.
  * * When the Money is borrowed for 1 day → call Money
    Repayable on Demand.
    Maturity Period → 1 day.
  * * When the Money is borrowed for More than a day & up to 14 days → Notice Money.
  * No collateral is required to cover these transactions



MIBOR

Mumbai Interbank offered Rate

Rate at which Lender would like to charge.

MIBID

Mumbai Interbank Bid Rate

Rate that a borrower like to pay while getting a loan

An Aspirant

MONEY MARKET

ORGANISED MONEY MARKET

↓

INSTRUMENTS

↓

- CALL MONEY & NOTICE MONEY
- T-BILLS
- CMB - CASH MANAGEMENT BILLS
- CD's - CERTIFICATE OF DEPOSITS
- CP's - COMMERCIAL PAPERS
- TRADE BILLS

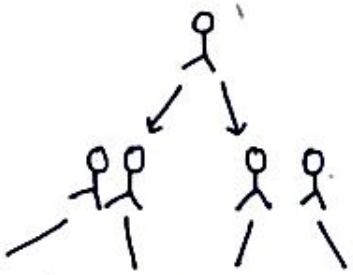
UNORGANISED MONEY MARKET

↓

INSTRUMENTS

↓

- Traditional Money Lenders
- CHIT FUNDS - Rotating Saving Scheme.
- PONZI SCHEMES - Fraudulent investing Scam.
  Promising high rates of Return
  Works as a Pyramid Scheme.
  Generates returns for older investors by acquiring new investors.



Banned under Prize Chit & Money Circulation (Banning) Act, 1978.

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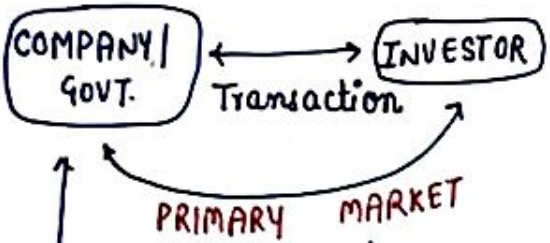
CAPITAL MARKET

- Market for long term funds. (more than 1 year)
- Both Equity & Debt are raised.
- Funds capital Assets.
- Regulated by SEBI.

PRIMARY MARKET

- First time Sale of security.

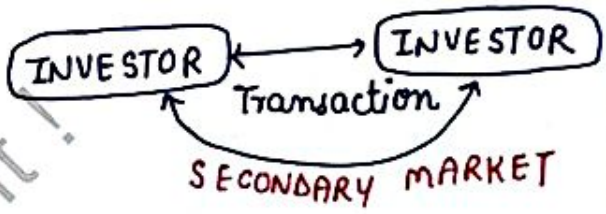


→ Regardless of how many times a company has issued securities.
→ where fresh capital / funds are raised.

- Only Buying of securities take place.
- The Price of securities decided by The management of the Company.
- No fixed Geographical Location for the new issue market.
- Funds for long time.
- Also called New issue Market.

SECONDARY MARKET

- Trade of Existing securities.



- Both Buying & Selling takes place.
- By → Demand & Supply of the market.
- Located at specified Places e.g. NSE - Mumbai.
- Provides liquidity equity.
- Also called as Stock market / Stock Exchange.

Deals with the trade of new issues of stocks & other securities.	Deals with exchange of existing / previously issued securities.

An Aspirant !

FUND RAISING IN THE PRIMARY MARKET →

* **INITIAL PUBLIC OFFER (IPO):** * Selling of securities to the Public in Primary Market.

Unlisted Company (Not listed on the Stock Exchange) → decides to raise funds to the first time to the Public → Becomes Listed Company

↓

IPO

e.g. 2021 → Zomato raised Rs. 9375 Crores through IPO

* **FOLLOW ON PUBLIC OFFER (FPO):** If a company had already issued IPO shares previously & issuing more additional shares to obtain New capital.

e.g. Paper Line Ltd. → 2025 → First time → IPO
→ 2027 → FPO

Unlisted*

* **PREFERENTIAL ISSUES:** When an Company offers issues of shares/ securities to a Select Group of Investors, it is called as PI.

↳ Right to be paid from company assets before common stockholders, if the company goes into bankruptcy.

* **RIGHTS ISSUES:** offer of new securities by a Listed Company to its existing shareholders at a discounted price.

↑ in proportion of their existing shareholders.

↳ Not offered to General Public.

An Aspirant

FUND RAISING IN SECONDARY MARKET →

* **SHARES:**
  - The Capital of the Company is divided into Shares.
  - Each Share forms a unit of ownership in the Company
  - offered to raise capital for the Economy.
  - One Share ← Smallest Unit of the entire Share Capital.
  - Shareholders ← get dividends (not interest) as return from the Company.
  - Also suffer losses as the shares go down.

* **Debentures:**
  - Debt instrument with a fixed rate of interest.
  - Fully Repayable on the maturity Date.
  - Not backed by any specific Security.
  - Higher Rate of interest.

An Aspirant

SHARES	DEBENTURES
Part of Capital of the Company.	Part of the loan of the Company
Holders are the owners of the Company.	Holders are the Creditors of the Company.
Have Voting Rights.	Have no voting rights.
Participate in the management & affairs of the Company.	Do not have control on the affairs of the Company.
Dividends → Variable Rates	Interest → Pre-determined Rate.

BONDS

- Debt instrument through which govt; govt agencies borrow funds for a definite period of time.
- Similar to debentures, but issued by government.

Secured	Unsecured
When backed by an underdying Asset.	Not backed by any asset.

Diff. Types of Bonds →
- Coupan Bonds
- Zero Coupon Bonds
- Municipal Bonds
- Sovereign Bonds
- Sovereign Gold Bonds
- Green Bonds
- masala Bonds
- Social Impact Bond
- Electoral Bond.

P↑ Y↓
P↓ Y↑

YIELD = $\frac{\text{RETURN}}{\text{PRICE VALUE}} \times 100$

Relationship between Bond, Bond Price, Bond Yield, Face Value

Face Value → Amount / Value mentioned on the face of the bond.

Price of the Bond → Amount that anyone pays to purchase the bond.

→ Bonds are purchased at premium / or discount.

F.V. = 100

Rs. 97 — Discount — Return Fix — $\frac{6}{97} \times 100 = 6.18\%$ — Yield

Rs. 103 — Premium — Return Fix — $\frac{6}{103} \times 100 = 5.8\%$ — YIELD

6% → Rs. 6

- Return – Always same
- Always calculated on FV
- Mentioned on the Bond.

$(FV)\frac{6}{100} \times 100 = 6\%$.

Return → 6%
Yield → 6.18%

Return → 6%
Yield → 5.8%

An Aspirant

TYPES:

- **COUPON BONDS** → Fixed interest Rate.
- **ZERO COUPON BONDS** → Bonds that pay zero interest.
  Sold at → Discount.
  Repaid at → Face Value.
- **MUNICIPAL BONDS** → Debt securities issued by Municipal Corporation.
  ↳ to construct Roads,
  to provide basic civic amenities - water, sanitation etc.

> Vadodara M.C. - GJ
> ↳ Raised 100 crores in march 2022 via municipal Bond.

- **GREEN BONDS** → Debt instrument with which capital is being raised to fund 'Green' Projects.
  ↳ Renewable Energy, Clean Transportation, Sustainable Water manag

> - WORLD'S FIRST GREEN BOND – WB in 2007
> - INDIA'S FIRST GREEN BOND – YES BANK in 2015
> - FIRST EVER GREEN MUNICIPAL BOND – Ghaziabad MC (UP), 202

- **SOVEREIGN BONDS** – Debt instrument issued by government to meet its expenditure.
  ↳ Denominated in both foreign & domestic currency.

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* SOVEREIGN GOLD BOND → Government Securities.
  - Denominated in gold grams.
  - Substitutes for holding physical gold.
  - Issued under Govt. securities (GS) Act, 2006.
  - Issued by RBI on behalf of GoI.

(Aim) → In order to reduce the demand for physical Gold.

Benefits → Can be issued as collateral for loans.

Issue Price → Bond Price = To the price of Gold (24 carats) published by IBJA, Mumbai Indian Bullion & Jewellers Association.

* MASALA BOND → Rupee - Denominated Bonds.
  - Issued outside india to raise funds from foreign investors.
  - Both govt. & private entities can issue this bond.

Name → Indian Touch → Int. Platform.

An Aspirant !

- Int. Financial Corp. (IFC) → Launched it - First time in 2014
- 2015 - RBI allowed Indian entities to launch Masala Bonds.
- 2017 - NHAI - London Stock Exchange
  ↳ to mobilize money for Indian Highway Projects
- ~~&IE~~ 2019 - Kerala became the first state to issue M.B.
  ↳ at ₹ London Stock Exchange.
- India's 1st masala Green Bond - IREDA at London SE, 2018
  Indian Renewable Energy Dev. Agency.

* BLUE BOND- Debt instruments issued by govt; dev. banks etc. to raise capital to finance marine & ocean based projects.

  * Seychelles – First country in the world to launch Sovereign Blue Bonds.

* SOCIAL IMPACT BOND- For better social outcomes.

  e.g. WB, UN WOMEN ₹, SIDBI → WLB Women's Livelihood Bond.

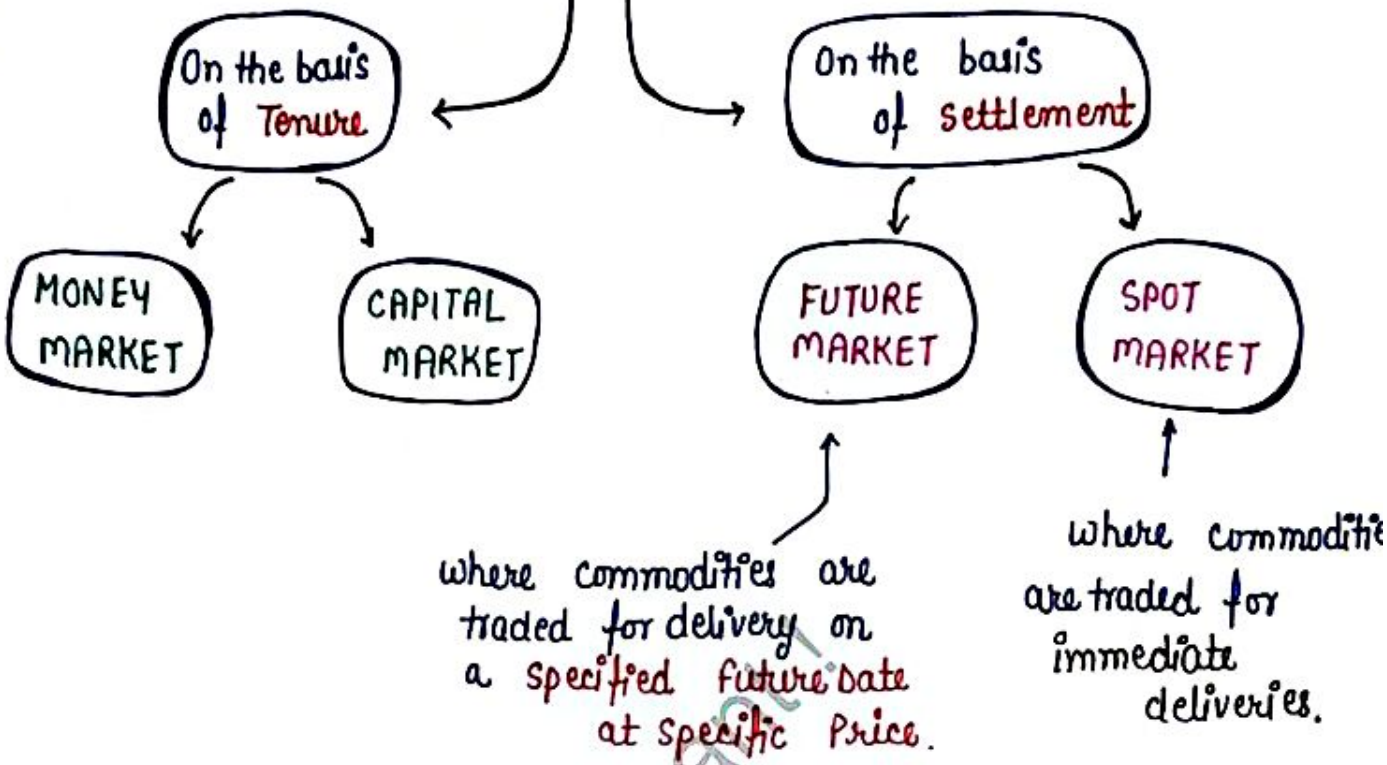
  To help Rural women in the Country's Poorest states.

* ELECTORAL BONDS- Financial Instrument for making donations to political parties.

  Issue- Authorisation- SBI.

An Aspirant !

FINANCIAL MARKETS



An Aspirant

STOCK EXCHANGES IN INDIA

- Platform for buying & selling of existing securities.
- Such trade takes place through electronic means.
- Price of the security affected by – Demand & supply in the market.

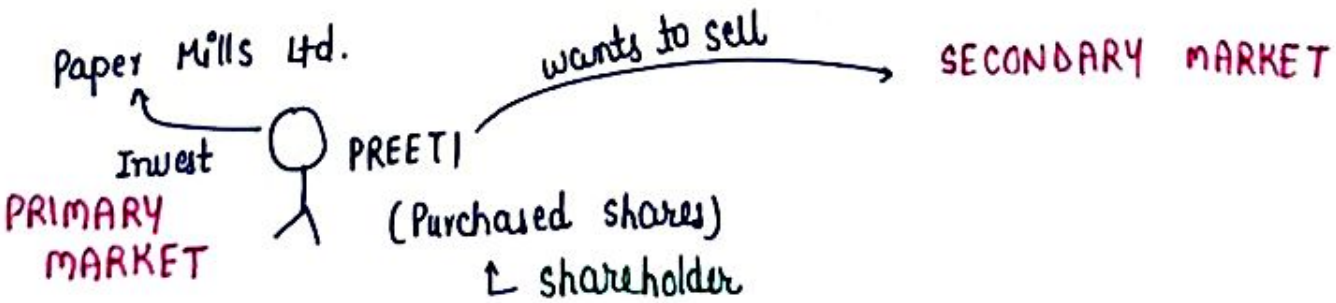
- World's Oldest Stock Exchange – Amsterdam Stock Exchange, Netherlands (1602)
- India's 1st Stock Exchange – The Native Share & Stocks Brokers Association

FUNCTIONAL → BSE (1875)

NSE (1992) ← Kolkata (1908) ← Ahemedabad (1894)

Currently, Both of these are not functional.

An Aspirant !



INDIA'S LEADING STOCK EXCHANGES →

BSE →

BOMBAY STOCK EXCHANGE

- ASIA'S FIRST STOCK EXCHANGE
- Founded in 1875 as The Native Share & Stock Broker's Association, by Premchand Roychand (Businessman).
- HQ - Mumbai
- Has More 6000 Companies Listed on BSE.
- Granted Permanent Recognition under Securities Contract (Regulation) Act, 1956

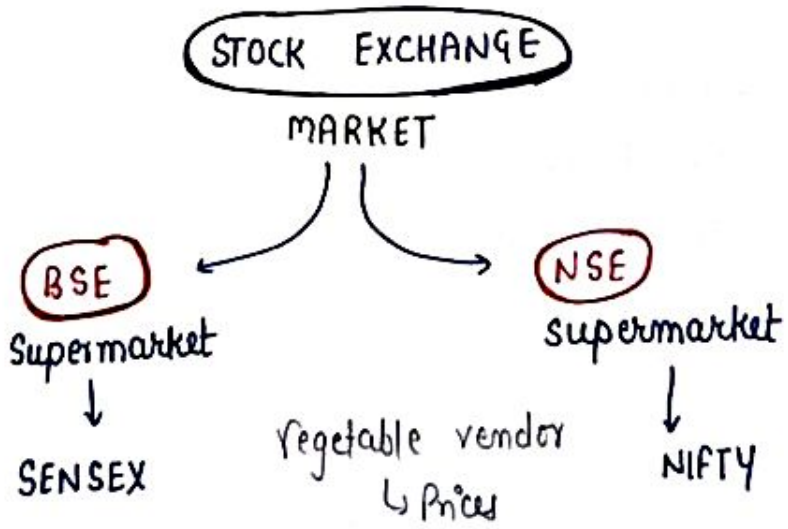
↓

SENSEX

The Sensitive Index

- Key market Index of BSE.
- Index of 30 most well established & monetarily Sound Companies Listed on BSE.
- Considered as Indian Domestic Stock market's Pulse.

An Aspirant !



NSE →

National Stock Exchange.

- Set up in 1992.
- A fully Automated Electronic Exchange with a nationwide presence.

India's largest financial market

+

4th ← Volume.

- Recognized as a SE by SEBI in 1993.
- Commenced operations in 1994

HQ → MUMBAI

NIFTY

National Stock Exchange Fifty.

- Stock Market Index of NSE.
- Showcases the top 50 equity stocks listed on the SE out of a total of 2000
- Also called Nifty 50, Nifty simple, Nifty CNX.

COMMODITIES MARKETS →

- Involves trading of various commodities.
- Its Regulator - SEBI

Hard commodities.

- Which are extracted from the Earth.
- Metals - Gold, Silver, Crude oil etc.

Non-Agro commodities

↓

MCX

Multi Commodity Exchange.

HQ → Mumbai

Soft Commodities.

Food Grains, Meat, Edible oil etc.

Agro Commodities.

↓

NCDX

National Commodity & Derivative Exchange.

HQ → Mumbai

An Aspirant !

SEBI

- SECURITIES & EXCHANGE BOARD OF INDIA
- Regulatory Body for Securities & Commodity market in India.
- Under Ministry of Finance.
- Established on 12 April, 1988 as an Executive Body.
- Given Statutory Status - 1992 through SEBI Act, 1992.
- HQ → Mumbai
- Chairperson → Madhabi Puri Buch.
  - Tenure → 5Y/65Y whichever is earlier. Reappointment is possible.
- Composition → Chairman + 1 officer from (RBI) + 2 (Union Gov.) + 5 (Nominated by Union Govt.)

FUNCTIONS

- Regulates the process of issuing securities. (Bonds, Shares, IPO) using the Securities Contracts Regulation Act, 1956
- Regulates Places. (Stock Exchanges, Commodities exchanges)
- Regulates Persons. (Investors, Brokers, Public Limited Companies).

- Appellate Mechanism → SAT (Securities Appellate Tribunal) under SEBI Act, 1992

SEBI
PFRDA
IRDAI

SC

An Aspirant

INSURANCE SECTOR IN INDIA

- LIC
- GIC
- IRDAI

- way to manage your financial Risks.
  - we purchase protection against unexpected financial losses.

- First Insurance Company in India → Oriental LIC, Calcutta by Anita Bhavsar & others. (1818)
  - Primarily catered to European Customers.
- First General Insurance Company in India → Triton Insurance Company, Kolkata (1850)
  - To provide Non Life insurance services.
- First Indian-owned LIC → The Bombay Mutual Life Ins Assurance Company, Bombay. (1870)

An Aspirant

LIC → Life Insurance Corporation of India.

- Indian Public sector Insurance Company.
- HQ → Mumbai
- Established in → 1956, 1st Sep.
  By LIC Act, 1956
- Under Ministry of Finance.
- 8 Zonal offices – Delhi, Chennai, Mumbai, Hyderabad, Kanpur, Kolkata, Bhopal, Patna.

- India's Insurance Sector - 5th largest Life Insurance market in the world.
- The Insurance sector of India has - (57) Insurance Companies.
  - (24) LIC
  - (34) Non-life Insurers.
    - (6) Public sectors' companies
- Sole Public Sector Company → LIC
- Sole National Re-insurer → General Insurance Corporation of India.

GIC → Indian Public Sector Re-insurance Company

GIC Re
HQ → Mumbai

- Formation → 1972 under Companies Act, 1956
- Shares listed on NSE & BSE.
- Purpose → To carry on the General insurance business other than (Life) such as - Fire, Accident, Theft etc.

IRDAI → INSURANCE REGULATORY & DEV. AUTHORITY OF INDIA

- Responsible for Regulation & Licensing of the insurance & reinsurance industries in India.
- Formed on the recommendations of - Malhotra Committee Report, 1999.

IRDAI Act, 1999.
Statutory status ↑

An Aspirant!

INDUSTRIAL POLICY, 1991

* Policy of the govt. regarding the Industrial dev. of the Country.
* Covers the Procedures, Principles, Rules & Regulations to shape the pattern of industrialisation.
* Govt's action to influence the ownership or structure of the industry.

An Aspirant

To improve the weak industrial Base →
First Industrial Policy Revalution, 1948
IPR – 1956, 1977, 1980,
1990,
Neo Industrial Policy, 1991

NEW INDUSTRIAL POLICY, 1991

During Economic Reforms of 1991

* **INDUSTRIAL DELICENSING POLICY OR END OF RED TAPISM** →
  - Most Imp. part of entire 1991 Policy.
  - End of License Raj
  - Earlier- Private sector firms have to secure Licenses to start any industry. → LONG DELAYS
  - Abandoned.
  - Except to 9 Industries → Coal & lignite, Petroleum, Alcoholic Drinks etc.

Red tapism → Excessive Regulation / rules that hinders action or decision-making.

* **DERESERVATION OF THE INDUSTRIAL SECTOR** →
  - Earlier → Public sector – Reservation over capital goods & key industries.
  - Now – 1991 → opened to Private Sector.
  - Some sectors – reserved for Public / Govt. Sector
    - ↳ Atomic Energy, Mining, Railways.

* **REFORMS IN PUBLIC SECTOR** →

Reforms → To enhance efficiency & competitiveness.

- Loss making PSU's were sold to the Pvt. Sector

↑

DISINVESTMENT POLICY

To restructure the Public Sector in the Country.

An Aspirant

* PSU Boards - For efficient functioning.
* Public Sector - Invest
  ↳ High Tech & Essential Infrastructure.
* Public Enterprises - Sick
  ↳ BIFR - Board of Industrial & Financial Reconstruction
  ↳ For their revival.

* **AMENDMENT TO MRTP Act** → The Monopolies & Restrictive Trade Policies Act, 1969
  ↑ Abolished
  ⇒ CCI → Competition Comm. of India
  ↑ watchdog in Monitoring Competitive Practices in the Economy.

* **FOREIGN INVESTMENT POLICY** → Welcomed Foreign Investment & Foreign Tech.
  ↳ Business Env. creation.

* **PROMOTION OF SSI** → To encourage modernization, Technical upgradation etc.
  Raw Materials, Marketing Facilities. → (SSI)

↑ Biggest Reform introduced in Indian Economy since Independence.
↳ Strong & Competitive Pvt. Sector.
Foreign Companies in India.

An Aspirant

INFRASTRUCTURE

* Basic Physical & organizational structure needed for the operation of the Economy.
  Requires a greater level of investment.
  ↳ COMMODITIES + SERVICES
  ↑
  Transportation, Power Generation, Comm.
* Also called as the 'lifeline' of an economy.
* Infrastructure required for growth & dev.
* It increases the productivity of factors of production & improves the quality of life.

An Aspirant !

ECONOMIC INFRASTRUCTURE

Transportation
Communication
Energy
Electricity

* Directly Linked with the economic dev.

Amenities, Services → Directly influence & benefit → the production process of the economy.

* Electricity available 24 Hours
  ↳ More Production Possible.
  Power cut - NO "

SOCIAL INFRASTRUCTURE

Education
Health
Housing

* Indirectly linked.
  → Services that improve individual productivity
  ↓
  & then achieves social objectives.

* Health Facilities - Good
  Employees - More Productivity
  ↳ Better Contribute to the Production Process.

HARD INFRASTRUCTURE

- Physical infrastructure like - Roads, Bridges, Dams etc.
- Physical structure that support & facilitate the society & Economy - Transport, Comm.

SOFT INFRASTRUCTURE

- All the services which are required to maintain the economic, health, cultural, social standards of a population.
- Non-Tangible things which support the dev. & operation of hard infrastructure.

BENEFITS of getting Infrastructure Status →

- Tax Benefit
- Faster Environmental clearance.
- Automatic FDI Approval.
- Relaxed External Commercial Borrowing Norms.
- Easier funding from WB & other financial institutions.

An Aspirant

IMPORTANCE → Helps in alleviation of property.
↳ Employment.

DIRECT IMPACT

HOTEL — RAILWAY STATION — GUARDS
RAILWAY STATION — AUTO
RAILWAY STATION — Magazine N/P
RAILWAY STATION — Chai wala
RAILWAY STATION — Kurkure Lays

CREATION OF JOB OPPORTUNITIES

INDIRECT IMPACT

III
MONEY — MARKET — ↑ in Demand of G & S
↑ in Production
New Employees ↑

EXTERNAL SECTOR

- MEANING
- SOME IMP. TERMS
- BALANCE OF PAYMENTS - Current Account
  - Capital Account
  - Its components
- FOREIGN EXCHANGE RATE - Rupee Appreciation
  - Rupee Depreciation
  - Types of Exchange Rates
- NEER
  REER
- CURRENCY CONVERTIBILITY

An Aspirant

EXTERNAL SECTOR

Modern Economies interact with other countries.
No economy is self sustaining in the era of globalisation.

The Segment of an economy that deals with a country's transaction with other nations via trade & capital flow.

Economic activities related to external sector include -

- Foreign Trade Policy.
- BoP
- Convertibility of currency
- Foreign Investments : FDI & FII.

An Aspirant !

SOME IMP. TERMS →

- INT. TRADE → Trade | Exchange of Goods & Services between two or more countries.
- BoP → Balance of Payments → Statement of Record consisting of a country's all economic transactions with the rest of the World.
- BOT → Balance of Trade → Statement that summarises a country's export & import of Goods / Commodities with the rest of the World.
  - Only Export & Import of Goods / Commodities are included in BOT.
- CURRENT ACCOUNT → Record of trade in- Goods + Services + Transfer Payments
- CAPITAL ACCOUNT → Record of all int. transactions of Assets like investment, external borrowings etc.

BALANCE OF PAYMENTS

* Systematic Record of all the economic transactions (credit & debit transactions) made by a country with the rest of the world. (Govt, Firms, Residents)
* The diff. between all the Money entering & exiting a country over a definite period is called as the BoPs.

CREDIT TRANSACTIONS

When a payment is received from a foreign country.

through →

- Export of Goods & Services.
- Transfer receipts in form of a gift from the foreigners.
- FDI's, FII's.
- Borrowing from Abroad.
- Remittances.

DEBIT TRANSACTIONS

When a payment is made to a foreign country.

through →

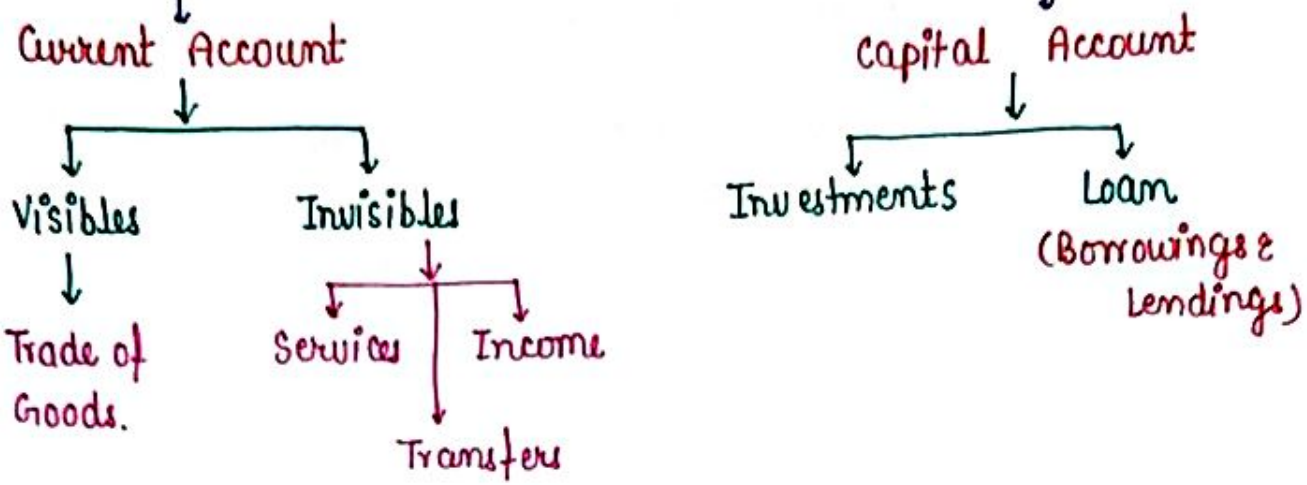
- Import of Goods & Services.
- Transfer Payments to foreigners.
- Lending to foreign countries.
- Investment in foreign countries.

An Aspirant !

* Generally, BoP is an annual statement.
* Central Bank of each country prepares BoP record.

* World's Net BoP is Zero.
* Since any country's Debit (outgoing Money) is a credit (incoming Money) for another country.

COMPONENTS OF BOP



- **CURRENT ACCOUNT** → • Record of Trade in Goods + Services + Transfer Payments during a specific period of time.
  - **TRADE IN GOODS** → Visible Trade / Merchandise Transactions.
    - Includes Exports & Imports of Goods.
  - **TRADE IN SERVICES** → Invisible Trade.
    - Includes Factor Incomes & Non-Factor Incomes transactions.

Factor Income → Flow of income derived from the factors of production.
- Includes int. earnings on factors of production (land, labour etc.)

Non-Factor Income → Net sale of service products like - Shipping, Banking, Tourism, S/w services.

An Aspirant

* Transfer Payments → Gifts, Remittances, Grants.
  * Receipts which the residents get for free without having to provide any goods or services in return.

* INCOME → (Receipts & Payments to & from abroad) Involves Investment income in the form of rent, profits & interest.

BALANCED CURRENT ACCOUNT	SURPLUS CURRENT ACCOUNT	DEFICIT CURRENT ACCOUNT
Receipts = Payments	Receipts > Payments * Nation is a lender to other countries.	Receipts < Payments * Nation is a borrower from other countries

COMPONENTS OF CURRENT ACCOUNT

BALANCE OF TRADE

* Diff. between the value of exports & value of imports of goods of a country in a given period of time.
* Also called as Trade Balance.

TRADE SURPLUS	BALANCED BOT	TRADE DEFECIT
Exports > Imports	E. = I.	Exports < Imports

BALANCE ON INVISIBLE

* Diff. between the value of exports & value of imports of invisibles of a country in a given period of time.
  * Services
  * Transfers
  * Flow of Income.

An Aspirant !

* **CAPITAL ACCOUNT** → Records all int. transactions of assets.
(Money, Stocks, Bonds, Govt. Debt etc.)

The Purchase of an asset is a debit form / item on the capital Account.
↗ As Money is flowing out of India.

The Sale of an asset is a credit item on the capital Account.

* Includes all those transactions which cause a change in Assets or Liabilities of a country's residents or its govt.

CAPITAL ACCOUNT
- INVESTMENTS
- LOANS (Borrowings & lendings) (By Govt; Firms, Residents)

INVESTMENTS → Includes all the investments by the rest of the World in shares of Indian Companies, real estate etc.
FDI, FPI

FDI
Foreign Direct Investment
⇓
- Involves Buying of Share/ Equity. (with an agenda to participate in the management of the Company)
- Long-term
- Investment is generally more than 10% company shares.
- Transactions → Primary market.

FPI
Foreign Portfolio Investment
⇓
- Involves both share & Debt market.
- objective → To make profits & short term gains
- Short term.
- Transactions - Secondary market.

An Aspirant!

FOREIGN EXCHANGE RATE

* Price of one currency in terms of another

  Rs. ⟷ $

* Links the currencies of diff. countries & enables the comparison of int. costs & prices.

  e.g. 1$ = Rs. 80

  So the exchange rate is Rs. 80 per Dollar.

- A currency's exchange rate reflects the relative Demand among the holder's of two currencies.

  ↳ If US$ ← Stronger than the Rupee

  ⇑

  Demand for Dollars is more than the Demand for Rupee.

  ⇓

  Depends upon the Relative Demand for the Goods & Services of the two countries.

* REQUIREMENT → * To purchase Goods & Services from a foreign country,
  * Buying assets in a foreign country,
  * Sending gift to someone in foreign country.

FOREIGN EXCHANGE MARKET → FOREX

* Market where the currencies of various countries are brought & sold.

An Aspirant!

1 JAN 2022 — 1$ = 75 Rs. ⇒ Exchange Rate

[Product] - Shampoo

1 MARCH 2022 — 1$ = 80 Rs. ⇒ Rupee Depreciated.

Purchasing Power of Rupee ↓

(earlier - 75, Now - 80)

Shampoo

Dollar Appreciated.

PP of Dollar ↑

Single Situation 2 Aspects

INDIAN PRESPECTIVE

1 JULY 2022 — 1$ = 70 Rs.

Rupee - Strong ↳ Appreciated.

Dollar depreciated.

More Indian Rs. - out - Pocket - Rs. weak

Less Rs. - out - Strong

RUPEE DEPRECIATION

1$ = Rs. 80

- More money out - Pocket

Profit → EXPORTERS

USA ← Goods — INDIA (Firm)

Pay Money →

RUPEE APPRECIATION

1$ = Rs. 70

- Less Money out - Pocket.

Profit → IMPORTERS

USA → Goods — INDIA (Firm)

← Money Pay

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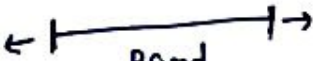
TYPES OF EXCHANGE RATES,

* **FIXED EXCHANGE RATE →** When countries agree to keep their currencies at a fixed Rate.
  - Central Monetary Authority - chart (Central Bank)

* **FLOATING EXCHANGE RATE →** Exchange Rate decided by market Forces of Demand & Supply.
  - The Monetary Authority never intervenes to influence the exchange Rate.
    - Demand ↑ Price ↑ (COVID - SANITIZERS)
      Supply = 0
      ↳ Normal, Demand would never have ↑.
    - Dollar ↑ Supply = 0
      Price ↑
  - **MANAGED FLOATING RATE SYSTEM →** (INDIA)



Central Bank will come into picture.

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NEER → Nominal Effective Exchange Rate

- Index that measures the change in the foreign exchange Rates.
- ↓ in this index denotes → Depreciation in Rupee's Value.
- ↑ in this index denotes → Appreciation in Rupee's Value.

* currency | App. / Dep. ?

* weightage - Trading

India's Trading Nations

- Amount of domestic currency needed to purchase foreign currency.

REER → Real Effective Exchange Rate

NEER adjusted for Inflation.

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CURRENCY CONVERTIBILITY

* Ease of exchanging one currency for that of another nation's currency.
* An economy might allow its currency full / partial convertibility.

* To settle import Bill.

WHY? → Tourism, medical Treatment & many more reasons Indians purchasing Assets in foreign countries

* USA —Goods→ INDIA
  INR → $

+ LIMIT ON THE CURRENCY CONVERTIBILITY

CURRENT ACCOUNT CONVERTIBILITY

* Freedom to convert domestic currency into foreign currency for trade in goods & invisibles.
* Since 1993.

CAPITAL ACCOUNT CONVERTIBILITY

* S S Tarapore Committee (1997)

Foreign $ → INR INR ↑
Countries → INDIA

CRISIS

INR → $
INDIA will take all the money out

INR ↓

* Rupee weak
* collapse of stock market.
* Liquidity Crunch.

* That is why 100% convertibility on capital account is not allowed in India.

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